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UNITED STATES
Prospects for 1990 and beyond
Page 15

World News

Panamanian takes charge of canal for first time

A Panamanian took charge of the Panama Canal yesterday for the first time in the 75-year operating history of the US-built waterway and just 12 days after the American invasion of the country.

Gen Manuel Noriega's intention of appointing a Panamanian administrator unacceptable to the US Government, was one of the factors that contributed to the Panamanian crisis which culminated in the US move to oust him. Page 2

US troop cuts

US Senator Sam Nunn, the Democrat who commands most influence on defence issues on Capitol Hill, has come out in favour of deeper US and Soviet troop cuts in Europe than those proposed in the Vienna conventional arms talks. Page 2

S Koreans angered

South Koreans reacted angrily to the failure of their unrepentant former president, Chun Doo Hwan, to lay to rest the legacy of his dictatorial regime. Page 4

Burmese arrested

Burma opposition leader U Nu and 13 members of his "parallel government" have been placed under house arrest by the military government on the grounds that the organisation is a threat to national security and peace. Page 4

Confederation urged

President François Mitterrand of France called for formation of a "confederation" to unite Eastern and Western Europe "in a joint and permanent organisation of exchange, peace and security." Page 3

Brazilian gamble

Fernando Collor de Mello, Brazil's president-elect, is likely to adopt a daring, high-risk strategy to win support for tough economic measures when he takes office on March 15. Page 3

Titan takes off

A Titan 3 rocket, the most powerful commercial launch vehicle developed by the US, blasted off carrying British and Japanese communications satellites.

Dalai Lama warns

The Dalai Lama, Tibet's exiled spiritual leader and winner of the 1989 Nobel Peace Prize, urged China to follow the reformist example set by East Europe or risk another Romania in his Himalayan homeland.

Israel fails to grow

The Israeli economy failed to register significant growth in 1989 for the second year running according to preliminary figures published yesterday. Page 3

Maputo peace move

African leaders trying to mediate in peace talks between the Mozambican Government and guerrillas say conditions are becoming ripe for direct talks, Foreign Minister Pascoal Mocumbi said. Page 2

N Korean overtures

North Korean leader Kim Il Sung said the two Koreas should pull down a concrete wall acting as a barrier between them and allow free travel.

Sikhs strike in India

Sikh militants paralysed Punjab with a general strike yesterday, issuing a series of demands to the new Indian Government which is seeking to end a bloody separatist campaign in the northern state.

Cambodian fighting

Guerrillas loyal to exiled Cambodian leader Prince Norodom Sihanouk claimed they had scored a major victory by destroying four Soviet tanks in Cambodia.

Jordan's PM backed

Prime Minister Mudar Badran won a convincing vote of confidence from Jordan's lower house of parliament after a tense three-day debate.

Castro's socialism

President Fidel Castro said that nothing would turn Cuba away from socialism.

Ringing the changes

Church bells pealed at St Basil's Cathedral, opposite the Kremlin, for the first time since the 1917 Bolshevik revolution, reflecting growing official interest in traditions associated with the country's religious past.

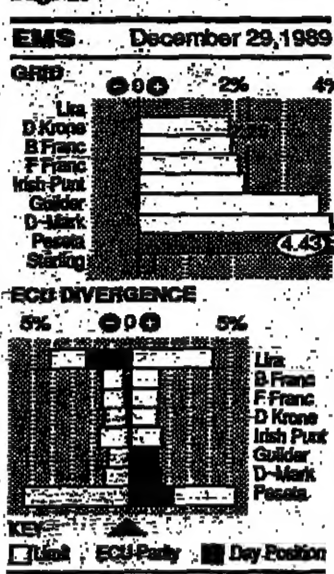
Business Summary

Bond in move to have receivership ruling lifted

Alan Bond, beleaguered Australian entrepreneur, will appear before the Victoria Supreme Court today to direct efforts to save his brewing, media, property and resources empire from receivership.

He will ask the court to rescind its appointment of a receiver-manager to Bond Brewing Holdings, the main cash-producing subsidiary within the Bond group, and he will claim that Bond Brewing was denied natural justice. Page 16

EMS December 29, 1989



EUROPEAN monetary system: The D-Mark remained strong within the EMS last week. The Italian lira was the weakest member of the system but stayed well within its cross-rate limit against the West German currency. Interest rates were firm in Frankfurt and elsewhere in Europe, leading to speculation that some rates, including the French, may have to be raised to support the weaker members of the system against the D-Mark.

The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

NIGERIAN budget: President Ibrahim Babangida, Nigeria's military leader, set out an austerity budget likely to pave the way to a new agreement with the International Monetary Fund and further rescheduling of the country's $33bn external debt. Page 16

SAUDI domestic bonds: King Fahd of Saudi Arabia announced government plans to issue domestic bonds for the third consecutive year to cover the kingdom's budget deficit. Page 2

WORLDWIDE airline traffic: Worldwide scheduled airline traffic increased by 72 per cent during the 1980s, according to preliminary estimates by the International Civil Aviation Organisation. Page 4

EXCHANGE controls: France fulfilled its promise to scrap the country's last remaining exchange controls six months ahead of the schedule agreed by the EC. Page 3

KOOR Industries, beleaguered Israeli group, said it was unable to meet its latest bi-annual interest payment of $6.2m due to holders of $105m of bonds issued in the US when it fell due yesterday. Page 20

LIHIR Island gold: Development of the Papua New Guinean deposit, widely believed to be the biggest yet discovered outside South Africa, is certain to go ahead said Karl Elers, president of Battle Mountain Gold which has interests in the venture. Page 20

GIANT Resources, Australian mining company, plans to sell through international tender its Canadian assets. Page 19

EUROBOND issues: Japan's grip on underwriting Eurobond issues became a stranglehold during a record-breaking 1989, a development highlighted by four leading Japanese securities houses taking top slots in annual rankings. Page 19

TAKEOVER deals in 1989: S.G. Warburg was the most active financial adviser in takeover bids for UK companies in 1989, while Goldman Sachs topped the league for international deals, according to figures published today. Page 6

WALL Street: Dow Jones industrial average at midsession was up 21 points at 2753.20.

Romania paves the way for democracy and April elections

By **Judy Dempsey** in Bucharest

ONLY ONE week after the execution of Nicolae and Elena Ceausescu, Mr Ion Iliescu, President of Romania's Council for National Salvation, yesterday announced a series of sweeping reforms aimed at wiping out the Ceausescu era and moving the country towards democracy.

In a New Year message to the Romanian people, Mr Iliescu paved the legal basis for the establishment of new, independent political parties which will be free to stand in the general election scheduled for April.

He also disbanded the security state – the secret police which had terrorised the population for 25 years and abolished the death penalty.

But, he said, those guilty of crimes would face "a tough trial," a reference to the military tribunals which have been set up to try those most closely identified with carrying out Mr Ceausescu's policies, as well as those who shot Romanians during the bitter and bloody fighting after the Ceausescus were ousted on December 22.

In a measure likely to win much popular support, Mr Iliescu also reduced the six-day working week by a day, and gave the peasantry the right to own their own plots and to buy surrounding land.

This gesture, the council believes, will provide incentives to improve food supplies and to feed the population.

However, it has ruled out the introduction of any substantial economic reforms until after the elections.

While lingering doubts remain about the future role of the army in political life, Mr Iliescu assured the population that the army would be completely non-political.

He also stipulated that the defence and interior ministries, the judiciary, the legal profession and senior posts in radio and television would not go to members of any political party.

In a clean sweep, Mr Iliescu dismantled the *nomenklatura* system, which gave the Communist Party the right to select individuals for top posts.

Despite these radical measures, Professor Silviu Brucan, a key adviser to the Council for National Salvation and a member of the Communist Party, said yesterday in an interview that sections of the population and those who were opposed to the council remained sceptical that it was free from Communist influence and that the

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■ A decade of democracy. Editorial comment. Page 14

■ Poles face big New Year price increases as austerity package is launched. Page 3

■ Brandenburg Gate accident mars Berlin's New Year celebrations. Page 3

Israeli coalition crisis threatens peace process

By **Hugh Carnegy** in Jerusalem

MR YITZHAK SHAMIR, Israel's Prime Minister, yesterday refused demands by the Labour Party that he withdraw his dismissal of a Labour minister. The dispute has plunged the country's coalition Government into crisis.

The future of the Government and the fragile prospect of Israeli-Palestinian peace talks remained threatened yesterday over the dismissal of Mr Ezer Weizman, Science Minister and leading advocate of negotiations with the Palestine Liberation Organisation. Mr Shamir accused Mr Weizman of unauthorised contacts with the PLO.

Labour has said it will pull out of the coalition unless Mr Shamir reverses the sacking, which is due to take effect today.

The crisis erupted on Sunday when Mr Shamir announced his decision to a surprised Cabinet meeting. He said Mr Weizman, a former Air Force chief and Likud Defence Minister who was a central figure in the 1979 peace treaty with Egypt, had broken the Government's "one great rule" of not negotiating with the PLO.

The year-old coalition has survived several similar crises before and a way may be found to keep the uneasy partners together once more. But Mr Shamir has succeeded in confronting Labour with an uncomfortable choice.

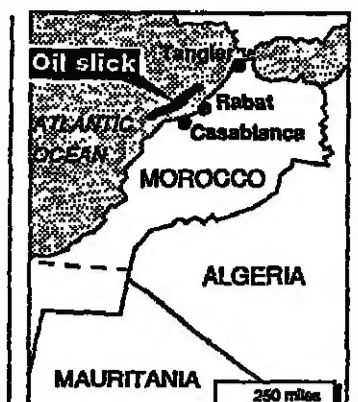
If it quits the Government and cannot patch together a narrow coalition relying on the support of religious parties, Labour will face the electorate cast by Likud as favouring talks with the still deeply unpopular PLO, something that is not party policy.

If it stays in the Government, even with a face-saving formula for Mr Weizman, the party will be seen to have knuckled under to Mr Shamir and Likud. Labour officials admitted that most of its ministers did not relish leaving the Government on such an issue.

Both Labour and Palestinian leaders accused Mr Shamir of using the issue to stall progress in the peace process. If the Government were to fall, a meeting of the Israeli and Egyptian foreign ministers in Washington with Mr James Baker, the US Secretary of State, mooted for later this month to set up talks between Israeli and Palestinian delegations in Cairo would certainly fall with it.

Mr Shamir's opponents accuse him of wanting to derail this process, which many in his party fear will lead inevitably to concessions to the PLO, without taking the blame.

"He's shooting at Ezer, but his target is really the peace process," said a Labour man close to Mr Shimon Peres, the party leader.



Iranian oil tanker leak threatens Morocco

By **John Hunt** in London

A 175-mile long oil slick from a damaged Iranian supertanker was drifting within 12 miles of the Atlantic coast of Morocco yesterday, threatening a major ecological disaster if it reached the shore.

Up to 70,000 tonnes of oil are believed to have escaped from the Khark-5 since it was wrecked by a series of explosions on December 19 and abandoned by its crew.

The Moroccan daily L'Opinion reported that the explosions on the tanker could have been sabotage. But experts believe that they could have been caused by equipment breaking loose in heavy seas.

Last night teams of experts were attempting to disperse the slick between Rabat in the north and Safi in the south. It could cause greater environmental damage than the Exxon Valdez which ran aground in Prince Willian Sound, Alaska, last March spilling about 35,000 tonnes of oil and fouling 1,000 miles of shoreline.

The Moroccan news agency MAP estimated that potential damage to fishing stocks, tourist and other coastal industries could cost 100,000 jobs.

The Government has formed a council to deal with the crisis. The Moroccan Interior Ministry said it had issued an appeal for help from Britain, France, Spain and Portugal to deal with the spill which threatened "an environmental catastrophe of tragic dimensions."

Last night, Mr Brice Lalonde, the French Environment Minister, flew to Morocco to head a team of French marine pollution experts dealing with the slick.

He said he was surprised at the long silence surrounding the incident. "That is certainly a drawback since speed of action generally limits damage."

SEC will focus on protecting small investors

By **Lionel Barber** in Washington

THE US Securities and Exchange Commission, which in the 1980s focused on high-profile insider trading and corporate takeover fraud, plans in the new decade to revert to its more basic mission of protecting the small investor.

The shift reflects official concern about declining participation by ordinary investors in the stock market, a trend generally blamed on the October 1987 crash and subsequent market volatility.

Mr Richard Breedon, the new Securities and Exchange Commission chairman, believes a renewed emphasis on investor protection can help to restore confidence.

His views also mark a philosophical break with the early 1980s when the commission tended to place more faith in self-regulation by organisations such as the New York Stock Exchange and the National Association of Securities Dealers.

Last week, Mr Breedon underlined his strategy for the 1990s with the appointment of Mr William McLucas, a 12-year SEC veteran, as the agency's enforcement director, a job which ranks among among the most powerful legal posts in government.

The SEC has the power to file civil charges and levy fines, but the enforcement director can also make recommendations for the prosecution of criminal cases.

In an interview, Mr McLucas, 39, said stock market volatility had unnerved ordinary investors, causing many to believe that markets were beyond their influence or control.

The SEC, he said, should exercise its authority in select areas relating to stockbroker conduct and the relationship with small investors.

He said: "There needs to be a sobering realisation in the industry that there is a government role and a policing role. . . if brokers abuse a customer's trust, they may find themselves out of business."

Mr McLucas said he would target market manipulation, misappropriation of customer assets and overly aggressive sale of securities by savings and loans and other financial institutions. A new unit in the enforcement division will focus on detection of financial fraud by banks and savings and loans.

The SEC also intends to scrutinise disclosures made by debt-laden companies in takeovers and the role of accounting firms in the process.

Breedon: investor protection

Individual investors, who are required to notify the public when they purchase more than 5 per cent of a public company's stock, can also expect rigorous examination.

"The question is whether small investors view the market as fair," said Mr McLucas, stressing however that the SEC would still pursue cases of illegal insider trading and other types of fraud which marked the 1980s.

Mr Breedon, a former senior domestic policy adviser to President Bush in 1989, helped to put together the $166bn rescue package for the savings and loan industry.

He is said to believe that regulatory authorities failed to anticipate sufficiently the failure of the Savings and Loans industry, and is searching for ways to make regulators less "reactive."

Last week, Mr Breedon, introducing his new enforcement director, said: "Self regulation is exactly what it says – self regulation. It is appropriate for the US Government to exercise a meaningful level of oversight."

John Major, British Chancellor, outlines his political agenda for 1990, Page 16

Charles Haughey, President of the European Community, explains how he sees the next six months, Page 16

James Rill, US Administration's new anti-trust chief, Page 32

US miners reach agreement to settle nine-month strike

By **Lionel Barber** in Washington

THE UNITED Mineworkers of America and Pittston Coal Company yesterday announced a tentative agreement to end a bitter nine-month strike by 2,000 miners over health and pension fund benefits.

Union leaders and officials at Pittston, the largest US coal exporter, hailed the agreement and praised Mrs Elizabeth Dole, Labour Secretary, for her "magical stroke" in appointing a federal mediator to resolve the dispute.

Both sides agreed not to reveal details until the deal is ratified by the union's members based in Virginia, Kentucky and West Virginia.

The rank and file are expected to receive the information within eight to 10 days.

The workers went on strike in April after Pittston said it was to end its contributions to the union's health and pension funds for current and retired workers.

The company said the costs were too high to keep Pittston competitive with foreign coal producers.

The strike, which polarised local communities and led to confrontations between strikers and other company workers, became a symbol of the modern labour dispute in the US – a struggle not over wages, but over benefits.

At one point, 46,000 coal miners in 10 states walked out in sympathy with the Pittston workers.

Mrs Dole told reporters that said she would appoint a commission to review all aspects of the pension and health care issue and make recommendations within six months.

Union leaders said this commitment was not part of the Pittston deal.

Mrs Dole's intervention in October began with the appointment of Mr William Usery, a former Labour Secretary, as mediator.

The move contrasted with the abrasive, hands-off approach of the Reagan Administration in disputes.

This was typefied by the President's decision in 1981 to sack air traffic controllers.

Mr Paul Douglas, Pittston chairman, said the appointment of Mr Usery was "a magical stroke." He said: "We just couldn't be happier to stand before you today: we think we've met the essential objectives of all those concerned."

He had previously refused to meet Mr Richard Trumka, UNW president.

Mr Usery told reporters at the Labour Department in Washington that the agreement was "a victory for collective bargaining."

It was fair and honourable, and would allow both job security and the production of coal, he said.

Mr Trumke said it was too early to say when the miners would return to work.

Pittston reported that its coal operations lost $3.6m in the second quarter in 1989 and $9.8m in the third quarter, compared with profits of $9m and $7.4m in the same period of 1988.

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Taking a common-sense approach to business conduct

James Rill can call on 30 years' relevant experience to carry out his new job as the US Administration's anti-trust boss. But what he can achieve this decade will be constrained by severe financial cuts to his office in the 1980s. **Page 32**

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OVERSEAS NEWS

California's clean air drive propels electric car to the fore

More than 6m vehicles in southern California could be electrically-powered by the year 2010, reports John Griffiths

ELECTRIC CARS and vans capable of keeping up with ordinary traffic, claimed by proponents to be "just around the corner" for decades, may at last be on the road towards viability due to a 10,000-vehicle "clean air" initiative in California.

"It needs just one proposal like this to get the ball rolling", according to Mr Bill Johnson, marketing director of the electric vehicle systems subsidiary of the UK batteries group Chloride.

He was commenting on an announcement last week that *Chloride EV Systems is to provide batteries and electric drive systems for up to 3,000 of the vehicles intended to take part in the "Electric Vehicle Initiative" led by the City Council of smog-ridden Los Angeles.*

Chloride is one of a group of companies from Canada, the US and Sweden – as well as the UK – gearing up to provide three categories of vehicle for the 'EV' (electric vehicle) programme.

The initiative, under which it is hoped to have all 10,000 vehicles operating in the Los Angeles region by 1995, is seen as the first step towards meeting progressively more draconian environmental legislation envisaged for southern California.

Los Angeles' Department of Water and Power and the Southern California Edison utility, jointly charged with controlling the initiative, estimate that meeting the 'clean air' legislation drawn up by the state's South Coast Air Quality *Management District will require 70 per cent* of all vehicles operating in the region - or more than 6m - to be electrically-powered by the year 2010. A population of 1.7m electric vehicles is envisaged by the year 2000.

The initiative aims to identify the potential problems associated with such a fundamental transformation of personal transport as well as - hopefully - to smooth its path.

The vehicle manufacturers were chosen from 18 proposals submitted earlier this year, including one from the French Peugeot group for an electric version of its 205 hatchback.

The 205 project was not among the three selected - but Peugeot is sufficiently satisfied with the electric 205's performance to have decided to launch it as a showroom model, initially in France, during the next few months at a price expected to be around that of its most expensive 205 GTi model.

The three chosen 'initiative' contractors are:

● Vehma International, part of the Canadian-owned Magna International components giant, which is to supply up to 3,000 electric versions of General Motors 'G-Van' light commercial vehicle.

The vehicle, part-funded by the US federal Electric Power Research Institute, is a further development of GM's own electric vehicle programme, which was moved from the UK when GM sold its Bedford commercial vehicles subsidiary two years ago. It is this vehicle in which Chloride's drive systems and batteries, first developed for Bedford, are being installed. Some 33 prototypes have been made and the G-Van is also to be distributed through dealers after commercial production starts in June.

● Clean Air Transport, an engineering group headquartered at Goteborg, Sweden, which is to provide up to 4,000 small cars and vans, both of which it is developing itself.

● Unique Mobility of Englewood, Colorado, which with financial backing from Alcan International, the Canadian aluminium group, is supplying a "people carrier". This hybrid between an estate car and a windowed van is based on Chrysler's Dodge 'Caravan'.

The electric vehicle initiative, conceived by the City Council in 1988 as an international competition for potential 'EV' producers, has reached the point where some detailed agreements between the various parties involved have been signed during the past few weeks, with the rest due to be completed by the end of next month.

The 'initiative' consortium members, a mixture of public and private groups including the California Air resource Board, are buying relatively few of the vehicles for their own use.

Their role is to organise distribution of the vehicles and their sale, mainly to fleet users in the state which will get subsidies to ensure - in the absence of initial economies of scale in manufacturing - that there are no financial penalties to users.

In performance terms, the gap between electric and petrol or diesel-powered vehicles is huge, and is likely to remain so in the absence of new and much more powerful types of battery. The G-Van, for example, can carry 700kg for a maximum of only 60 miles, and less if its 52mph top speed were to be used all the time. Even the Peugeot 205 could travel only 62 miles at its top speed of 62 mph.

However, Mr Tom Bradley, Los Angeles' mayor, insists that the clean air gains are worth the disadvantages, and points to research showing that 'EVs' are 97 per cent less polluting than petrol-powered cars per mile travelled, even when emissions from power plants linked to recharging batteries are taken into account.

"Someday in the very near future, electric-powered automobiles and buses will be a common, integral part of our Los Angeles transportation network," the mayor insists.

Panamanian takes charge of canal for first time

By Tim Coone in Panama City

A PANAMANIAN took charge of the Panama Canal yesterday for the first time in the 75-year operating history of the US-built waterway and just 12 days after the American invasion of the country.

The post of Canal Administrator, has been passed from Mr Dennis McAuliff a former US general who had held the job since the Panama Canal treaty was signed in 1979, to Mr Fernando Manfredo who helped negotiate the treaty for Panama and who has been the Deputy-Administrator since then.

Mr Manfredo will hold the post until the new government of President Guillermo Endara proposes its own candidate for the post. The candidate will also have to be approved by the US Senate.

Mr Manfredo is widely viewed as the most competent Panamanian for the job, but the issue is proving controversial as rival political forces within the ruling ADOC alliance fight over the share-out of government posts. Mr Manfredo's political past is identified more with Gen Omar Torrijos, the Panamanian nationalist leader, than it is with ADOC.

Under the terms of the treaty, which was signed by Mr Jimmy Carter, the then US President and Gen Torrijos, Panama will take full responsibility for the operation and defence of the Canal on January 1 2000.

Gen Manuel Noriega's intention of appointing a Panamanian administrator unacceptable to the US government, was one of the factors that contributed to the Panamanian crisis and which culminated in last month's invasion to oust him.

In the eyes of some legal and political analysts, however, the treaty is now worthless as a result of the invasion. In the exchange of instruments ratifying the treaty it was resolved that the use of US military force "shall be only for the purpose of assuring that the Canal shall remain open, neutral, secure and accessible and shall not have as its purpose or be interpreted as a right of intervention in the internal affairs of Panama or interference with its political independence or sovereign integrity".

As Canal operations were not under threat at the time of the invasion, and one of the declared objectives of the attack was to remove Gen Noriega from power, US government lawyers are going to *have difficulty arguing that the* Treaty was respected.

Hundreds of Panamanian civilians have been killed and thousands wounded in the past two weeks, more than in the entire history of Panamanian-US conflicts. Opponents of President Endara, for the moment silent in the immediate aftermath of the invasion, can be expected to be heard again on that point.

An additional and potentially more serious problem for the new government is what to do about the future defence of the Canal.

Article 5 of the treaty which deals with the permanent neutrality of the Canal states: "After the termination of the Panama Canal treaty, only the Republic of Panama shall operate the Canal and maintain military forces, defence sites and military installations within its national territory".

The Panamanian Defence Forces (PDF) were to have assumed that defence role in the year 2000. The US-trained PDF has just been destroyed by the invasion, however.

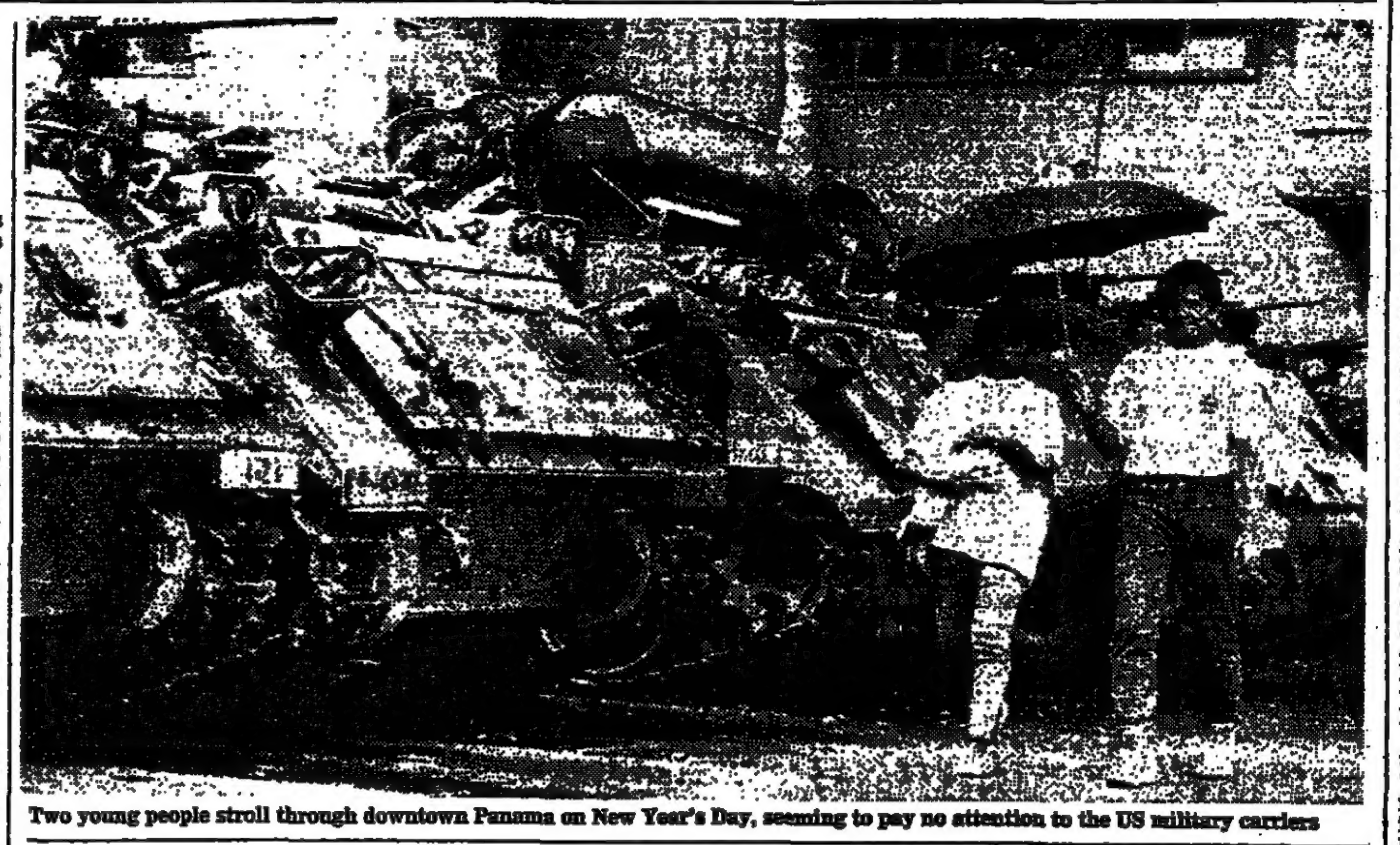
A new Panamanian Public Forces (PPF) is being set up but it is planned to have police functions only. According to a close aide of President Endara: "We may have to negotiate the *future of the (US) bases*".

As a condition of ratifying the treaty, the US Senate insisted that Panama and the US reserve the right to negotiate a bilateral agreement on the future US troop presence in Panama after the year 2000.

This is an extremely sensitive issue, for it has been Gen Noriega's claim, ever since he fell out with the US government in 1987, that Washington wanted a maleable government in Panama, to be able to guarantee a long-term US military presence in Panama where it maintains more than a dozen bases and installations.

Mr Juan Linares, Panama's new foreign minister, was quoted in a local newspaper *yesterday as saying that US* bases will not continue in Panama after the year 2000.

On the issue of whether Gen Noriega will face trial in Panama or the US first, should he ever emerge from the Vatican Embassy in Panama City, the new government is clearly unsure of itself and has made several contradictory statements. All the elements of a power struggle are present.



Two young people stroll through downtown Panama on New Year's Day, seeming to pay no attention to the US military carriers

Collor may take daring political gamble

By Ivo Dawnay in Rio de Janeiro

MR FERNANDO Collor de Mello, Brazil's president-elect, looks set to adopt a daring if *high-risk strategy* to win support for tough economic measures when he takes office on March 15.

Instead of trying to form an alliance in talks with the country's squabbling party leaders, the new president appears ready to table his package and invite congressmen of good will to join a government of party of National Unity.

The strategy, revealed by Mr Collor's chief supporter in Congress, Deputy Renan Calheiros, would at a stroke eliminate the traditional horse trading on policies which fatally weakened the outgoing government of President Jose Sarney.

"We cannot sell an image to the public that we are *desperately attempting to find compromises* between the political parties and government," Mr Calheiros said in a newspaper interview yesterday.

If the strategy fails, Mr Collor would be ready to launch a national movement to support his policies before general congressional elections due in October, he added.

With inflation now over 50 per cent a month, many political commentators say the biggest hurdle facing the new president is obduracy from congressmen.

Many are expected to resist tough economic measures for fear of hurting their chances of re-election though some of the most respected deputies, theoretically *in opposition* to Mr Collor, support the broad lines of his economic policy.

His policy revolves around a sharp attack on the public sector deficit through cutbacks in expenditure and a general shift of emphasis away from the state to the private sector.

Mr Collor, who defeated his socialist rival Mr Luis Inacio Lula da Silva by 4m votes in elections last month, argued throughout the campaign that his supporters were endorsing a "liberal" economic programme.

Economists studying the kind of prices management measures needed to tackle huge inflation rates like that of Brazil also agreed that the new government must *act firmly at* the outset, eschewing political compromises.

The biggest risk for Mr Collor is that he will fail to win congressional backing for his plan and go on to lose his fight for a majority in the upcoming October election. But if he succeeds, he will win an unprecedented measure of political authority always denied his predecessor and the chance to attempt an as yet untried policy to tackle Brazil's now chronic economic malaise.

Last year, Brazilian inflation hit a new record level of almost 1,800 per cent.

Israel's 1989 GDP up only 1%

By Hugh Carnegy in Jerusalem

THE Israeli economy failed to register significant growth in 1989 for the second year running, with investment and private consumption falling, but a recovery in exports helped narrow the trade deficit, according to preliminary figures published yesterday.

Gross domestic product rose in real terms by just a shade over one per cent, slightly less than in 1988 and well below figures in the previous two years, the Bureau of Statistics said, based on returns for the first 11 months of the year.

It estimated that industrial production was down by up to 2 per cent and investment down by 5 per cent, underlining the picture of stagnation.

However, a slowdown in imports of goods and services – reflecting in part a 3 per cent fall in private consumption in which the main feature was a slump in spending on consumer durables, and a 4 per cent increase in exports, fuelled by two devaluations over the year – brought the trade deficit down from $5.3bn (£3.3bn) in 1988 to a predicted $3.9bn in 1989.

The bureau said defence expenditure, including defence imports – which is one of the biggest items in government spending – had fallen by as much as 14 per cent over 1988 despite the additional costs of fighting the Palestinian uprising in the occupied territories.

It said the total negative effect of the uprising on the Israeli economy was about shekels 500m (£155m) out of a total GDP of shekels 82.5bn – although this estimate is significantly less than a figure of £250m produced by Bank Hapoalim last week.

● The Israeli authorities imposed curfews on approaching 1m Palestinians – more than half the residents of the West Bank and Gaza Strip – yesterday to forestall demonstrations planned to mark the 25th anniversary of the founding of Fatah, Mr Yassir Arafat's mainstream Palestine Liberation Organisation faction, which enjoys widespread support in the occupied territories.

In Israel, the police said they had intercepted and defused 10 letter bombs sent from Cyprus. There was no immediate indication who was responsible.

Riyadh bond issue to cover budget deficit

By Victor Mallet, Middle East Correspondent

KING Fahd of Saudi Arabia yesterday announced government plans to issue domestic bonds for the third consecutive year to cover the Kingdom's budget deficit.

Outlining modest increases in spending and revenue in the 1990 budget, the King said the authorities would issue bonds worth Saudi Riyals 25bn (£4.1bn) to cover the projected deficit, which is unchanged from last year's.

Government officials say there are no plans for foreign borrowing or any further drawing down of Saudi Arabia's reserves. Bankers, however, say that commercial banks and government institutions are reluctant to take more bonds on to their books, and attempts to develop a secondary market are intensifying.

Budget revenue is expected to rise 1.7 per cent this year to SR118bn, with spending up 1.4 per cent to SR143bn. Defence payments of SR52bn will take the lion's share of state expenditure.

King Fahd yesterday went out of his way to justify heavy arms spending as necessary for deterrence. "We want to reiterate that the development of our military forces is not to attack anyone. . . We are calling for peace," he said.

Saudi Arabia's substantial oil revenues and defence requirements have made it one of the world's biggest arms importers. Last month a £2bn international loan was being negotiated to cover a shortfall on Saudi payments to UK arms contractors, but the Kingdom eventually paid the money in cash.

King Fahd, underlining Saudi Arabia's assertive new approach to the dealings of the Organisation of Petroleum Exporting Countries, said his country would work to increase its Opec sales quota, now set at 5.38m barrels a day for the first half of this year.

Last year's oil revenues were around 20 per cent higher than those of 1988, and yesterday the Ministry of Finance estimated that the Kingdom's gross domestic product rose by an unexpectedly high 4.6 per cent in 1989, compared with only 1.9 per cent in 1988.

King Fahd also gave an outline of the new five-year plan. Priorities include reduced dependence on oil exports, encouragement for private sector investment, and a continued emphasis on defence.

Nunn calls for deeper US, Soviet troop cuts in Europe

By Lionel Barber in Washington

SENATOR Sam Nunn, the Democrat who commands most influence on defence issues on Capitol Hill, has come out in favour of deeper US and Soviet troop cuts in Europe than those proposed in the Vienna conventional arms talks.

Mr Nunn says that the US can afford to reduce its forces from the current 305,000 Army and Air Force troops, to about 200,000 to 250,000. This compares to the Bush administration's proposal last June to come down to 275,000 which Mr Nunn says has been "overrun" by events in Eastern Europe.

Mr Nunn's views, set out in an interview in the New York Times, *foreshadow an intense* debate in Washington in the coming months about the level of the Soviet military threat and the appropriate US response in terms of troop pullbacks, and defence spending cuts and overall military doctrine.

His comments came as President Bush and President Gorbachev exchanged New Year's greetings in *videotaped* messages broadcast in the US and Soviet Union, continuing a practice begun at the end of the Reagan administration. Mr Bush pledged the US would take no unilateral advantage from the upheaval in Eastern Europe and described President Gorbachev as "a good partner in peace".

Mr Nunn's specific proposal *for revisions* in the US and Soviet negotiating position in the Vienna CFE talks is unlikely to be adopted, if only because both such changes could delay Nato and Warsaw Pact efforts to complete a conventional forces agreement by later this year.

His argument, however, that the US ceiling of 275,000 troops "validates" a higher Soviet military presence than either President Gorbachev or the East Europeans want is something which some US officials already seem willing to accept - but only after a CFE treaty is reached and a new round of negotiations begin.

In the interview, Mr Nunn recommended that the US should focus more on air power while *cutting* costly Army troops based overseas, thereby serving notice that Congress intends to play a major role in the reshaping of the US military in the 1990s.

Mr Nunn told the Times that he advocated a "partial, gradual draw down" of American troops in South Korea and said Mr Bush should consider withdrawing some US troops from Japan. He also urged Western Europe and Japan to pay more of the cost of defending Gulf sea lanes - a further call for more "burden sharing" by the Allies.

Mozambique may hold direct talks with rebels

AFRICAN leaders trying to mediate in peace talks between the Mozambican government and guerrillas say conditions are becoming ripe for direct talks, Foreign Minister Pascoal Mocumbi said yesterday, AP reports from Maputo.

He said on Radio Maputo that Presidents Daniel arap Moi of Kenya and Robert Mugabe of Zimbabwe had made progress in their efforts, and the Mozambican Government was prepared to talk to members of the Mozambican National Resistance.

Mr Mocumbi said the mediators told the Mozambican government "the conditions are becoming ripe for a direct dialogue, direct contact between the Mozambican government and the so-called Renamo," the acronym for the guerrilla group.

The Kenyan and Zimbabwean leaders have been facilitating talks between Mozambican churchmen and guerrilla representatives.

The South African Government has said it no longer supports the guerrillas, but Mr Mocumbi said: "Within South Africa, some forces, even if they are not supported by the Government, continue to seek to use the Renamo bandits as an instrument."

Zambia finds ways to turn poachers into wildlife protectors

An innovative plan to halt the decimation of animal herds is achieving dramatic results, reports Nicholas Woodsworth

WHEN Zambian member of parliament Wezi Kaunda, son of President Kenneth Kaunda, flew to his rural constituency in the east of the country recently, he was met at the airport by a four-wheel-drive Toyota sent by a group of local tribal chiefs.

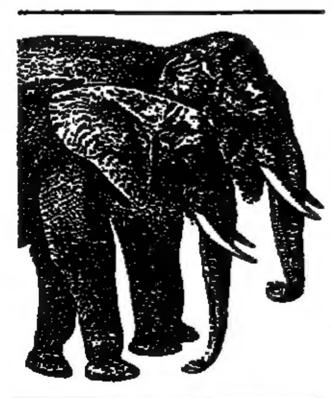
The vehicle was chauffeured by a distinguished-looking driver named Kunda Bulaya. A congenial man of middle age, Mr Bulaya's confident bearing and intelligence make him seem unlikely material for a local government car pool.

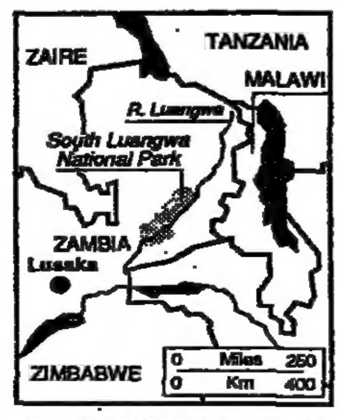
Indeed, Kunda Bulaya is no ordinary driver. His job behind a steering wheel comes after 16 years of a quite different and highly successful career: by the time he was finally caught last year with a Kalashnikov assault rifle deep in the bush of the South Luangwa National Park, Mr Bulaya had slaughtered almost 1,000 elephants and close to 200 rhinos.

Mr Bulaya sold the ivory and horns to Malawian and Senegalese nationals acting as middlemen in a well-organised chain of illicit international sales. Although he received only about 1 per cent of their world market value, he became a wealthy man compared with his neighbours. In the Luangwa Valley – rich in wildlife but otherwise impoverished – the risky business of poaching has since colonial days been one of the few alternatives to a meagre life of subsistence agriculture.

One horrifying statistic, however, shows that even from a purely economic point of view, poaching is no solution to the area's long-term problems: in the last decade, illegal hunting has reduced the valley's elephant population – once the largest in Africa – from 100,000 to 25,000. If the activity continues on the same scale, there will be no elephants left within 10 years. Poaching has already made rhinos virtually extinct in the Luangwa Valley.

Mr Bulaya's re-integration into the local community is not *some bizarre miscarriage of* justice. Rather, it is one of the more dramatic results of an innovative plan designed not only to halt the decimation of animal herds, but through their rational exploitation, to provide a basis for rural economic development.





By showing men such as Mr Bulaya that they stand to gain more from rationally managing wildlife than by destroying it, the Luangwa Integrated Resource Development Project *(LIRDP) aims at re-establishing* a sustainable and profitable relationship between rural communities and the natural resources around them.

For the LIRDP director, Dr Richard Bell, the wall erected between the two can be, and in the 13,000 sq km LIRDP area, is being broken down. "For wildlife conservation and rural development policies to be both co-ordinated and sustainable," says Dr Bell, "control must be put back into the *hands of local people.* In receiving an income from wildlife, they not only have an incentive to protect it, but also obtain the necessary funding for broader-based rural development."

This type of approach has proved successful in other countries, including Zimbabwe and South Africa; its adoption has been all the more pressing in Zambia because of the country's economic decline and inability to control poaching.

In practical terms, this means killing a certain number of animals, including elephants, in "game management areas" adjacent to the valley's national parks.

Based on calculations that will allow the maintenance of wildlife populations, these hunting quotas generate licence-fee profits that are then ploughed back into the community according to its own priorities.

When Mr Bulaya drove Wezi Kaunda to meet local chiefs, it was to observe them deciding on how to allocate licences to the various safari, commercial culling, and village meat-hunting interests involved. Instead of going to central government coffers, these and other local revenues now stay within the community.

Sixty per cent go to an LIRDP revolving fund set up to finance development schemes and profit-generating projects, many of them wild-life based. Forty per cent goes directly to the community to fund such improvement projects as schools and clinics.

In 1988, its first year of operation, LIRDP revenues from the commercialisation of wildlife totalled $136,000 (£85,000). This year, they will be over $200,000.

LIRDP is being supported over a five-year period by a $12.3m grant from the Norwegian aid agency Norad; while further aid may be required after 1993, once all LIRDP programmes are in place, it will be run on a self-sustaining basis.

The project faces a number of challenges. One is getting poaching, already much reduced, fully under control; the National Parks and Wildlife Service, with which LIRDP works, faces problems of its own. Another challenge is a budget which, given the investment needed, is minimal. Managerial expertise is also in short supply.

In addition, relations with government ministries, many reluctant to loosen centralised control, are sometimes contentious.

The project depends heavily on the personal support of President Kaunda, who is conscious of Zambia's poor conservation image overseas, but must also take into account power politics at home. Despite the obstacles, much progress has been made. LIRDP's success depends in good part on a factor outside its control: the threat of a long-term, worldwide ban on trade in ivory. Two months ago, the Convention on International Trade in Endangered Species (CITES) put elephant products on its list of trade-ban items.

While pressure from southern African countries who have managed their wildlife successfully may affect a CITES policy review in 1991, the right to sell ivory internationally remains an uncertain linchpin to LIRDP's future. The Luangwa Valley is shaping up as an all-too-rare Zambian success story; much now depends on the outside world.

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Steel doors bar passages in the Securitate's underground nerve centre

Home of Romania's secret police

By Judy Dempsey in Bucharest

THEY came from nowhere. Some wore two sets of clothing, one civilian, one a military uniform. Those who belonged to the special unit called the Fifth Directorate wore black berets and black jump suits, with a silk red stripe stretching from wrist to ankle. They fired precisely and attacked selected institutions.

In Arad, a town not far from the Hungarian border, they stormed the maternity section of the main hospital. There, they riddled pregnant women and babies with bullets.

In Cluj, Transylvania, the main centre of the ethnic Hungarian minority, they descended from a lorry and fired into a small group of demonstrators. More than 30 people were shot dead.

In Bucharest, they attacked the main emergency hospital but were driven back by the army and young armed civilian guards. In all these cases, they were equipped with sophisticated weapons.

They were all members of the Securitate, the secret police who had terrorised Romanian society for the best part of a quarter of a century.

But during the revolution, which started on the evening of December 21, they remained elusive. In Bucharest they disappeared as quickly as they arrived, down into the system of passages under the city.

One of the nerve centres for the Securitate was under the Central Committee headquarters of the Romanian Communist Party. At first glance, it is similar to a large basement used for a heating system. But a closer look quickly reveals the differences.

Dorel, a 22-year-old civilian guard, led us down several flights of stone steps and along a series of narrow carpeted passages, which were guarded by a couple of tired-looking soldiers. At the end of each short passage was a steel door, at least three inches thick. Each door had double sets of latches.

One of the main narrow passages kept breaking off into small rooms or other passages. The soldiers said this was where the Securitate planned their counter-attack against the revolution and planned their escape.

"We found three separate plans, each describing ways to get out of or into the city through different tunnel exits," Dorel explained. All the plans were coded.

Although it is not entirely certain, the preparation of the plans may have come from the third and lowest underground level of the Central Committee building.

There, the Securitate had at their disposal not only a bunker equipped with technology for purifying the air and water, as well as anti-radiation treatment, but a range of sophisticated US and Japanese communications equipment.

In this third-level communications centre, an entire wall was filled with electronic gear, phones, radio transmitters and a television. In their hasty escape the Securitate had destroyed them.

Dorel was unsure if the bunker was *the* centre of this network. "I cannot be absolutely sure. But from here, the Securitate could enter this building and leave quickly to other parts of the city."

This young man, who, until the revolution, was an engineer by day and a student by night, said he could not take us any further along the tunnels. "We think they are booby trapped. But somewhere out there, the remaining hard core of the Securitate terrorists are waiting. Waiting to strike back."

But who are the Securitate?

Fifteen people suspected of belonging to the secret police were last week taken to the main Bucharest hospital.

"We were suspicious from the start," said Dr Gabriel Tatu, a surgeon. "They had no identity papers. Some of them wore two sets of clothes – a military uniform and a civilian suit underneath. Most of them were young, in their early twenties. One of them was even armed when he was admitted to the hospital. At one point he started to cry, saying how sorry he was that he had not succeeded in killing more people. It turned out that he was a major in the Securitate."

The doctors say these people were heavily drugged. "They were really high on drugs and alcohol," said Dr Tatu. "We had to use large doses of tranquillisers to calm them down. That took two days. Until last Friday, when the army took them away, they remained absolutely silent. Our own psychologist tried to talk to them. But it was pointless. They said nothing."

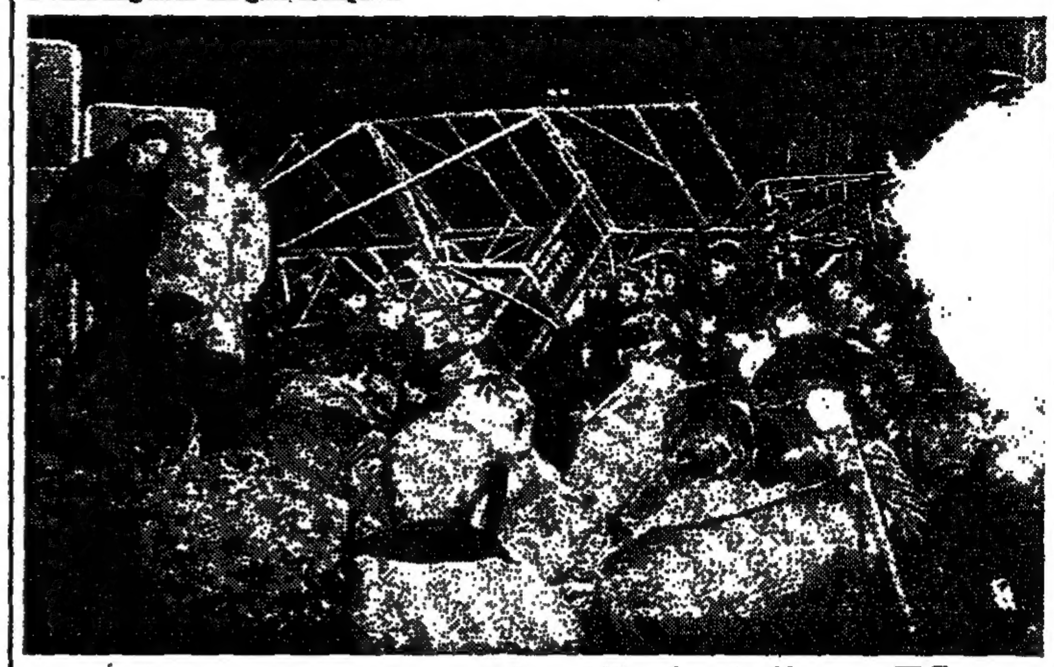
Dr Andrei Firika, the avuncular, bespectacled 52-year-old director of the hospital, who had been working non-stop for six days and nights, said he had no experience of this kind of mentality.

"I think they will not fight back. There is no way for them to return. They have no purpose left, now that their leader [executed dictator Nicolae Ceausescu] is gone."

His optimism is shared by many people. But that does not prevent Romanians from looking over their shoulder, a habit developed for 25 years.

But despite the odd sniping incident, the fear is starting to lift, as thousands of secret police are believed to have given themselves up and people are at long last looking towards a future without the dreaded Securitate.

Revellers climb onto the quadriga statue on the Brandenburg Gate between East and West Berlin (above) to celebrate the New Year. Below: more than 100 people were hurt when television scaffolding near the gate collapsed.



Big price rises for Poles under IMF plan

By Christopher Bobinski in Warsaw

POLES today face swingeing price increases as the Solidarity-led Government embarks on an International Monetary Fund-approved austerity programme designed to halt hyperinflation and streamline the economy.

A preliminary agreement with the IMF has already led to the release of a $215m (£134m) bridging loan from the Basle-based Bank of International Settlements and opens the way to stand-by loans from the IMF, credits from the World Bank and Western governments, and a restructuring of Poland's $39bn external debt.

The price of coal, heating, housing, electricity and public transport all went up at the New Year.

At the same time, the government is committed by its letter of intent to the IMF to keeping wage rises at less at their present level for this month and permitting incomes to creep up at 20 per cent of the monthly inflation rate until the spring.

The squeeze on wages is being accompanied by an increase in the basic bank rate to 36 per cent a month in the hope that as inflation tapers away in the spring the interest rate will outrun monthly rises in the cost of living and encourage savings.

At the same time, the high lending rate could wreak havoc with industries such as shipbuilding, with a high debt burden, and hit farming, which until now has benefited from low interest rates.

The Polish zloty has been devalued against the US dollar from Zl 6,500 to Zl 9,500 as limited convertibility is brought in, and companies and individuals are to be permitted for the first time for over 40 years to settle hard-currency bills in zlotys through the state banks.

High customs tariffs and turnover taxes, which also came in yesterday, are designed to stem a massive inflow of consumer and other goods from the West, while the devaluation, which is not as large as originally planned, will still create an additional inflationary tremor.

Mitterrand call for European 'confederation'

By William Dawkins in Paris

PRESIDENT François Mitterrand of France called at the weekend for formation of a "confederation" to unite Eastern and Western Europe "in a joint and permanent organisation of exchange, peace and security".

And Mr Jacques Delors, president of the European Commission, reacting yesterday to Mr Mitterrand's call, said the idea would remain vague unless EC countries first moved closer politically.

Mr Mitterrand's appeal, broadcast in the President's traditional New Year message, underlines more clearly than ever France's eagerness to speed up European integration in response to the changes in the East. It also appeared in the same vein as Soviet President Mikhail Gorbachev's vision of a common European home.

Speaking in the closing hours of France's six-month presidency of the EC, Mr Mitterrand stressed the "absolute" need for the EC to reinforce its structures, as decided at the recent Strasbourg summit, where 11 of the 12 Community leaders agreed to start negotiations in a year on full monetary union.

The second stage of European development, yet to be devised, was the the birth of a "European confederation in the real sense of the term" which Mr Mitterrand said he expected to see during the 1990s.

It could be based on the 1975 Helsinki accords on European operation and security, signed by 35 countries, including all of Europe except Albania, plus the US and Canada.

Mr Delors said: "I believe the European confederation will see the light of day only if the Community of 12 has broadly covered the ground towards political union."

While he provided no detail of how such a confederation would work, Mr Mitterrand stressed the urgency of European integration in bleak terms. He said: "Either the trend towards explosion and fragmentation grows and we find ourselves back in the Europe of 1919 – we know what followed – or Europe builds itself up."

French car output slows in November

THE OUTPUT of the French car industry slowed in November, but registrations were still headed for a record year, according to the latest figures from the CSCA, the country's car manufacturers' association, William Dawkins writes.

November production of 317,751 cars was 4.3 per cent ahead of the same month in 1988, a much gentler growth rate than the 13.7 per cent year-on-year expansion shown in October, said the CSCA. Exports, meanwhile, rose just 4 per cent, as against 18.7 per cent in the previous month.

It looks as if a slowdown in both production and registrations continued through December, said the CSCA. However, the Paris Government's decision to end tax advantages for car leasing and purchase deals has also had a one-off effect, said officials.

Nevertheless, the CSCA expects registrations, as distinct from output, to come out at 2.3m in 1989 as against 2.2m in the previous 12 months.

That would make 1989 the third successive record year for the French car market, in line with the general growth of the European market.

Azerbaijani talks after riots

AZERBAIJANI officials were in the riot-hit town of Jalilabad yesterday for talks on setting up new administrative and Communist Party bodies following riots in which one person was killed and dozens were injured, Reuter reports from Moscow.

Mr Nazim Ragimov, an independent journalist in Baku, said all previous state and party institutions had collapsed in the town of 20,000 near the Iranian border.

The town was reported calm as were other areas of the Transcaucasian republic.

Paris scraps exchange controls

By William Dawkins

FRANCE yesterday fulfilled its promise to scrap the country's last remaining exchange controls, six months ahead of the schedule agreed by the European Community, so ending restrictions introduced just after the Second World War.

The move is a gesture of commitment to European monetary integration, and removes one of Britain's arguments against hastening wider moves to monetary union.

France's move leaves Italy as the last of the big four European Community economies with capital controls still in place, until July 1, the deadline for Rome to dismantle its restrictions.

France has also reinforced its fiscal authorities' arsenal of powers to track down tax dodgers and stop them salting away undeclared savings in more lightly-taxed countries. Anti-fraud measures are seen as vital to avoid the risk of weakening the exchange rate, but they have also been criticised as a hidden barrier to full liberalisation by some West German observers.

French citizens will now be able to open foreign bank accounts so long as they declare transactions of FFr50,000 (£5,360) or more, plus the details of their accounts, to French tax authorities. Equally, they will be able to open foreign currency accounts at home.

Any undeclared foreign transfers tracked down will be treated as fully taxable as well as subjected to a 40 per cent surcharge. Domestic banks can be fined heavily if they fail to give full information to tax authorities.

Under the EC's directives on exchange controls, France did not have to scrap its restrictions until July 1. It revealed its decision to move faster at the European Summit in Strasbourg last month. Ireland, Portugal and Spain have until the end of 1992 to scrap capital controls.

This completes France's gradual capital liberalisation, begun in April 1986 when it removed restrictions on transfers of inherited capital by French citizens resident abroad.

Last year, French companies were given full freedom to deal in foreign currencies and banks were allowed to make foreign currency loans to non-residents.

Accident mars Berlin's New Year

By Leslie Colitt in East Berlin

MORE than 100 people were injured when a giant video screen collapsed under the weight of young revellers at a New Year's Day celebration at the Brandenburg Gate on the East-West Berlin border.

Tens of thousands of people looked on in horror shortly after 1.30 am yesterday as the young people fell from the metal scaffold supporting the screen. More than 500 people, many with bottles of alcohol, had climbed up the scaffold on to the Brandenburg Gate, a symbol of German unity, which was re-opened just before Christmas.

Nearly 150 people were taken to hospital when the scaffolding crashed to the ground. A young West Berliner found dead on Unter den Linden boulevard was at first believed to have been a victim of the accident but police were unable to confirm this. Late yesterday afternoon more than 50 people remained in hospital in both parts of Berlin.

Earlier, East German policemen were overrun by huge crowds surging toward the gate, from where East German television was broadcasting New Year's Eve festivities live. The East German news agency ADN said more than 150,000 people were gathered on the eastern side of the gate, while West Berlin police estimated a crowd of 100,000 on the Western side. ADN described scenes of "mass hysteria" after the accident which impeded rescue operations. But "sensible" citizens were praised for helping to evacuate the injured. East German television faced possible legal action for negligence, ADN said.

The absence of controls at the border on New Year's Eve was utilised by more than 400 Vietnamese and Cambodian citizens working in East Germany, who escaped to West Berlin and applied for political asylum.

In the second anti-Soviet incident in a week, a Soviet Army memorial in Gera, East Germany, was desecrated by right-wingers at the weekend. The incidents were said to be part of an upsurge in "neo-fascist" activities which the Government linked to demands in West Germany for a restoration of a Greater Germany.

A unit of the East German Army at Beelitz, near East Berlin, added to the growing pressure for reforms in the East German armed forces. Several hundred soldiers refused to report for duty yesterday until their demands, including a shortening of military service, were considered.

Havel attacks political hypocrisy

CZECHOSLOVAKIA'S new president, former dissident Vaclav Havel, pledged yesterday to lift the country from a mire of political hypocrisy and ensure it would never again be subservient to another power, Reuter reports from Prague.

The president, in a televised New Year's Day address three days after being sworn in, also said he would introduce "a relatively extensive amnesty", details of which were expected to be announced later.

Mr Havel spent five years in jail for his civil rights activities, as did several other ex-dissidents who are now members of the new Government which took power after the Communist Party lost its monopoly on power last month.

He called on the country to rediscover its self-confidence and help Europe restore the concept of morality in politics.

"The worst thing is that we live in a contaminated moral environment because we became used to saying something different from what we thought," Mr Havel said.

"We became used to the totalitarian system and thus helped to perpetuate it."

Mr Havel said he hoped to renew diplomatic relations with the Vatican and with Israel before general elections planned for June, and also expressed the hope that Pope John Paul would be able to visit Czechoslovakia before the poll.

"Our state should never again be an appendage or a poor relative of anyone else," he said, without referring directly to the Soviet Union. Czechoslovakia's "Prague Spring" of reforms in 1968 was crushed by a Soviet-led Warsaw Pact invasion.

For 40 years, Communist presidents used the traditional New Year's Day message to tell Czechoslovaks how well their country was doing.

But Mr Havel said, "I assume you did not propose me for this office so that I too would lie to you."

The truth, he said, was that Czechoslovakia "produced goods of no interest to anyone while we are lacking the things we need", and the country's environment was polluted.

Greeks develop a more sophisticated taste for wine

Import competition and a desire to market abroad are causing ferment, writes **Kerin Hope** in Athens

THE Greek taverna ritual in which a harassed waiter unceremoniously dumps a tin mug filled with retsina in front of you and pencils an indecipherable squiggle on the paper tablecloth is probably disappearing into history.

Resinated wine, a staple of Athenian life for generations, is slowly but steadily going out fashion, a victim of changing tastes and a more sophisticated approach to winemaking by Greek companies that want to compete in northern European markets.

About half Greece's annual wine production of some 5m hectolitres is now bottled, up from a third in the early 1980s. Exports, which are gradually rising and now cover about 15 per cent of production, were valued at $32m (£20m) last year.

There used to be just two kinds of Greek wine: with and without resin. Retsina, with pine resin added during fermentation, originally as a preservative, probably accounted for three-quarters of production when Greece joined the EC in 1981.

It came from small family vineyards and was sold from barrels at the taverna or local grocery where housewives queued at weekends with their "galonia" – plastic flagons.

Tourists who found it hard to acquire a taste for retsina in the space of a two-week holiday relied on Domestica, the only bottled wine distributed throughout the country.

Retsina now makes up only 35 per cent of Greek wine sales, equal to those of white wine. Red wine covers 20 per cent and rosé 5 per cent.

Despite moving upmarket, into corked full-size bottles, as well as the beer-bottle size which is convenient for shipments to islands without pine trees, retsina is rarely mentioned on restaurant wine lists and never appears at dinner parties.

"The decline in retsina sales is partly because there's a much greater choice of wines now and partly because young people aren't drinking it," says Mr Graham Blake, head of marketing for Kourtakis Wines, Greece's biggest retsina bottler.

Overall per capita wine consumption in Greece is modest, fluctuating around 40 litres a year, or half that of France. But many more brands are available and advertising on wine has increased sharply. Some winemakers talk ambitiously of "trying to increase respect for Greek wine."

That will mean starting with the tavernas, where bottled wine tends to get casual treatment, left upright on shelves for months, exposed to strong sunlight and variable temperatures.

"We're planning to introduce seminars for restaurant owners in 1990, to get them to stock more labels and learn how to treat bottled wine," says Ms Maria Kovalou of Sevop, the wine companies' promotion organisation.

Consciousness-raising among Greek wine drinkers has already begun. A new wine from the Kourtakis vineyards, Kouros, was launched recently in similar style to an Olympic Games torch-lighting ceremony, complete with cabinet ministers and shipowners in attendance. It had won a French award the previous month.

"I don't think its an exaggeration to speak of a renaissance of Greek wines. There is a new generation of experts trained in France who are making some products than can compete with good Italian and some French wines," says Mr Theo Loir, a United Nations official who is a Greek wine enthusiast.

The leading winemakers are half a dozen old-established companies who between them cover more than 80 per cent of the bottled wine market, leaving most of the bulk trade to the farm co-operatives. The co-operatives also bottle under their own labels, but generally lack resources for marketing wines outside their region.

The private companies' new focus on marketing and advertising is also a response to increasing competition from wines imported from other EC countries. This year, Greece finally lifted tariffs on Community wines.

No figures are yet available for imported wine sales, but they are said to be doing well in Athens. "Prices are still quite a bit higher than the upper range of Greek wines, so they won't gain more than a toehold at first. But they'll certainly educate local taste," said a marketing analyst.

Greece has also fallen into line with Community requirements by establishing 12 "wine of origin" labels this year and banning mixing of wines from different areas of the country. Resinated wine has become "retsina of Attica", the area around Athens where it is traditionally produced, despite encroachment on vineyards by factories and summer homes.

At the same time, a vineyard register is being set up, which is to include 220,000 hectares of vineyards. The EC will provide half the 5bn drachmas (£20m) needed for the six-year project.

When it comes to exports, Greek wines seem to have overcome the obstacle of uneven quality which in the past made foreign buyers reluctant to risk their reputations on a new Greek label. West Germany, with a large community of Greek workers, is the biggest market, but demand is spreading beyond the expatriates.

A northern Greek producer, Tsantalis, which owns extensive vineyards on Mount Athos, exports more than 5m bottles a year to West Germany. Most popular are the white Athos varieties, light and slightly fruity, which fit well with German taste.

"It's hard to move out of what you'd call the ethnic market with Greek wines. But if you can build confidence that every bottle will taste the same, there's certainly potential," Mr Blake says.

E German culture vulture loses its wings

By David Goodhart in East Berlin

LAST week a short item on the main East German early evening TV news bulletin announced the winding up of the entertainment committee, one of the country's main cultural watch-dogs. The committee had ceased functioning weeks before but some of East Germany's more daring artists and performers will none the less be pleased to see it officially dismembered.

The old regime revered acceptable forms of culture and created a pampered class of privileged artists, but beneath that level countless small battles for freedom of expression were waged with sub-committees of the cultural bureaucracy.

Mr Ingolf Wilsky, 38-year-old manager of a professional East Berlin rock band, the Mixed Pickles, describes one of those struggles. Earlier this year his five-man band, which sounds rather like the Irish band U2, was invited by the only East German recording label, Amiga, to make a record.

It had only four songs, but one of them criticised the education system and the censors of the entertainment committee objected. The Mixed Pickles were given the choice of rewriting the song or abandoning the record. "It was no choice really. We all knew we could not give in to stupidity," said Mr Wilsky.

The reward for such steadfastness came only a few weeks later when the old East Germany and its cultural censors disintegrated. At the end of November, the newly-contrite authorities apologised for their previous decision and said the record could be produced as originally planned. It will be released in February.

Mr Klaus Dannegger, one of the main writers for the celebrated Pfeffermühle satirical cabaret in Leipzig, describes the odd sensation of suddenly writing without half an eye on the culture office. In early October, just before the departure of then-Party leader Erich Honecker, he wrote a sketch about two policeman observing an anti-government demonstration in Leipzig.

"It was the first time I had ever openly depicted the state authorities against the people," he said. But there was nobody left to object. On October 18 the culture office informed him that it no longer had any function in relation to his work.

"Quotes from our shows would spread around the country and factories would ask us for copies of scripts because we were the only people addressing their problems," says Mr Dannegger.

Both Mr Wilsky and Mr Dannegger admit that freedom has also produced new uncertainties. Mr Dannegger says, for example, that his writing skills – full of double meanings – are now redundant and that the whole Pfeffermühle troupe will have to learn new tricks.

"In the past it was so easy to criticise the system. Now we have got to become much more sophisticated if we want to stay one step ahead," he says. Will he satirise New Forum? "Of course," he replies without hesitation.

Mr Wilsky, more than Mr Dannegger, fears being swamped by the West. Like Mr Dannegger he is a convinced socialist and fears that his own band may be tempted to sacrifice art for money.

Only the top 10 or 15 professional bands, such as the Puhdys, made any money from recording and were able to tour the West. For those just below that level, such as the Mixed Pickles, it was never an easy life. A record contract would bring in only a few thousand marks and the bands had to hand over more than 25 per cent of proceeds from East Bloc tours to the authorities.

Now, fears Mr Wilsky, lots of professional bands will go out of business as it becomes easier for Western bands to play and sell records in East Germany. "The fact is that we have not created a distinctive East German sound. Most groups sound like Western bands of 15 or 20 years ago," admitted Mr Wilsky.

Others are not so pessimistic. Mr Tony Hollingsworth, the British promoter who organised last year's Mandela rock concert believes that Western markets could be hungry for sounds from the East.

The East German industry, like in all East Bloc states, desperately needs better recording technology but also, if the revolutionary chic is to be exploited in the West, it needs packaging. That is what worries Mr Wilsky. He knows the only way to stop being swamped by the West is to go and play there. "But it all makes me feel a little uneasy," he confessed.

OVERSEAS NEWS

CHINA'S RELATIONS WITH BRITAIN AT NEW LOW

Peking attacks HK passports plan

By John Elliott in Hong Kong

CHINA'S increasingly fractious and tangled relationships with Hong Kong and the UK have hit a new low, with an outspoken attack launched by Peking against Britain's controversial plan to issue full passports and nationality rights to up to 225,000 of the colony's citizens.

The sharp style of the attack, made on Saturday, took diplomats and community leaders by surprise, especially because unspecified "corresponding measures" were threatened if the plan was not withdrawn.

It is assumed that the tone of the attack stems from Peking's extreme sensitivity following the collapse of Eastern European Communist régimes, as well as reflecting concern about implications for China's nationality laws.

Both the British and Hong Kong governments have rejected China's allegations that the passport package would breach a "solemn commitment" in the 1984 Sino-British Joint Declaration on the colony's 1997 return to Peking's sovereignty. They said the plan would go ahead.

"This attack has come out of the blue. It is a step backward for our passports' campaign and for confidence in Hong Kong as well," said Mr Peter Sutch, vice-chairman of Swire Pacific and a leading member of the business sector's Honour Hong Kong passport campaign.

The attack appears to be part of Peking's policy of rejecting all demands and initiatives that arise in Hong Kong as a result of the Tiananmen Square crisis.

Peking has been known to have had reservations about the passport package for some time, but its officials have usually said it was a matter for Britain, providing the 1984 Joint Declaration was not breached.

Since the Tiananmen Square crisis, Peking officials have been alleging that the passport plan is part of British attempts to reduce China's sovereignty after 1997 by "internationalising" the future of the colony.

The 1984 declaration includes memoranda written by the Chinese and British governments which provide that from June 30, 1997, existing British Dependent Territories Citizens' (BDTC) passports will be replaced by a British-issued passport or travel document, subsequently named the British National (Overseas) passport.

It is this clause to which Peking is believed to have been referring last Saturday when it said there had been a "gross violation" of a "solemn commitment".

It is assumed that the alleged breach has occurred because 225,000 of the 3.25m BDTC passport holders could now receive full British passports, not lesser travel documents.

The UK rejects this, saying there is nothing to stop other passports being offered by the UK or other countries before 1997. It adds that the aim is to stem the brain drain by keeping valuable people in Hong Kong, an aim Peking should support.

China has also found itself in a difficult position over its own nationality laws, which do not allow dual citizenship. People are Chinese until they go abroad and take another country's citizenship, at which they lose their Chinese status.

The law does not provide for the situation where Chinese people gain foreign citizenship without leaving China (or, in this case, Hong Kong).

Peking is therefore faced with having to accept that there will be a large group of ethnic Chinese people in Hong Kong who have opted for alternative nationality without actually emigrating.

This complicates China's unexplained weekend threat to take "corresponding measures" if the package is not withdrawn. The measures could involve Peking introducing various forms of discrimination against non-Chinese nationals. Already, non-Chinese are to be debarred from top civil service jobs. This could be extended to other occupations such as legislators or the judiciary. Wider discrimination could also be introduced.

Proposing such discrimination would, ironically, involve Peking in formally recognising the British passport scheme as a full nationality package – a move it almost certainly does not want to make.

Alternatively, Peking could refuse to recognise the 225,000 passports. That would pose difficulties of differentiating the 225,000 from other ethnic Chinese people who gain British passports in the coming years.

By proposing the scheme at a time when Peking is ultra-sensitive, the UK has therefore opened a diplomatic can of worms.

This will undoubtedly sharpen the dialogue when Sir David Wilson, Hong Kong's Governor, travels to Peking on January 10 for the first time since June, to hold three days of talks with senior Chinese officials.

A Hong Kong demonstrator demands the ousting of the 'Ceausescus of China'

ABOUT 10,000 people marched through Hong Kong yesterday to the offices of the New China News Agency, Peking's de facto embassy, demonstrating in support of political change in Romania and "peace and democracy" in China, John Elliott reports. Some speakers called for the downfall of Peking's Communist régime.

This was one of the biggest demonstrations in Hong Kong for several months, and shows a local pro-democracy alliance can still pull crowds onto the streets despite Peking's repeated warnings against such activities.

Thousands of people lit candles in Chater Square, in central Hong Kong, for the Romanian people at a midnight vigil on New Year's eve, and again yesterday before the peaceful march.

China's leaders are known to be embarrassed by the events in Romania, having publicly supported the Ceausescu régime. This has provided Hong Kong pro-democracy activists with a new cause with which indirectly to provoke Peking.

World air traffic up 72% in '80s

By Paul Abrahams

WORLDWIDE scheduled airline traffic increased by 72 per cent during the 1980s, according to preliminary estimates prepared by the International Civil Aviation Organisation (ICAO).

ICAO estimates that the airlines of its 162 member-states flew nearly 225bn tonne-kms on domestic and international flights in 1989, against 130bn in 1980.

The figure is compiled by multiplying the number of passengers, and amount of baggage, freight and mail carried, by the number of kilometres flown. The total in 1989 was 6 per cent higher than in 1988.

The most dynamic sector in the 1980s was freight. The amount carried grew by 96 per cent during the 1980s, from 29bn tonne-kilometres to 58bn tonne-kilometres. Growth in freight last year reached 8 per cent.

Passenger traffic also increased during the 1980s. The scheduled airlines carried more than 1.1bn passengers in 1989, representing an increase of 3 per cent on 1988, and a 49 per cent increase on 1980.

The airlines achieved 1.8bn passenger-kms last year, an increase of 5 per cent on 1988. At the beginning of the decade, the figure was about 1.1bn.

The airlines have increased their capacity since 1980 from 1.7bn seat-kms to 2.6bn and have managed to increase the number of passengers carried. ICAO estimates that load factors have increased from 63 per cent in 1980 to 68 per cent in 1989.

Jordan vote

Jordan's Prime Minister Mudar Badran won a vote of confidence from the lower house of parliament yesterday, after a tense three-day debate, Reuter reports from Amman.

Deputies cast 65 votes in favour, nine against, with six abstentions. Most Moslem Brotherhood deputies backed the government.

Fury over unrepentant Chun

By Maggie Ford in Seoul

SOUTH Koreans have reacted with anger and dismay at the failure of their unrepentant former president, Chun Doo Hwan, to lay to rest the legacy of his dictatorial régime.

Mr Chun returned to his exile in a remote Buddhist temple as the clock struck midnight on Sunday, after a turbulent 12-hour appearance before parliament.

His performance dashed hopes that the new decade could be ushered in with a spirit of reconciliation. Mr Chun's régime ended in June 1987 after nationwide demonstrations forced his government to hold free elections.

Millions of viewers watched television broadcasts of Mr Chun's testimony, in which he was expected to answer more than 100 questions about the corruption and brutality of the Government he formed after a military coup in 1979.

It soon became clear that the former leader, looking bent but not broken, was repeating the old stories he had always used to justify his rule.

Many people switched off their sets in fury and frustration. "The man has learned nothing from a year in exile", and "He hasn't repented at all", were typical comments. There were some mutterings about the lessons of Romania.

Members of parliament reacted emotionally at times. When Mr Chun claimed that the military, accused of killing at least 200 people in a provincial town in 1980, were acting in self- defence, it was too much.

Opposition politicians leapt from their seats and surged towards the witness stand, shouting: "Butcher! Is a massacre self-defence?"

They were restrained by ruling party MPs, but not before the witness stand was hit with an MP's name plate and the ex-president was grabbed by an angry politician.

Mr Chun's testimony, delivered in a rambling monologue from a prepared script, was interrupted three times for adjournments after uproar from protesting MPs. Television stations were deluged with calls from viewers also demanding he "tell the truth".

Mr Chun maintained that all his actions were inevitable and justifiable in the circumstances. He said he had taken control of the military in December 1979 because he feared a coup by other generals in the wake of the assassination of former President Park Chung Hee.

He had not engaged in any bribery, illegal collection of political funds or unjustifiable business deals, either abroad or at home, although he apologised for failing to control his family, several of whom have since been jailed.

Mr Chun did admit to some second thoughts about the desirability of the dismissal of hundreds of journalists and the imposition of strict press censorship in 1981.

But it was over the Kwangju killings that he provoked the most protest. Denying that he even knew what had happened as head of the Korean Central Intelligence Agency, he said the troops had been entitled to act in self-defence against armed citizens. They were required to follow the orders of their commander, he said.

Mr Chung Ho Yong, military commander at the time, resigned last week from the National Assembly at the request of President Roh Tae Woo.

Mr Chun's testimony followed almost two years of negotiations between ruling party and opposition leaders over ways to end the controversies of the past. It was felt that these were holding up progress to democracy.

The future of Mr Chun, who might have been allowed to retire honourably, is now uncertain. Dissident leaders have called for his arrest, and some MPs believe he should be charged with perjury. Opposition leaders have stressed that they do not want revenge, not least because such action might provoke a backlash.

U Nu put under house arrest

By Chit Tun in Rangoon

BURMA opposition leader U Nu and 13 members of his "parallel government" have been placed under house arrest and are to be held incommunicado for a year by the military government, on the grounds that the organisation is a threat to the security and peace of the country.

U Nu set up the "parallel government" with 25 of his political colleagues last September, when pro-democracy demonstrations were at their height in Rangoon and other big towns.

Though regarded initially by many as a freakish creation of an old man (U Nu is 83), the "parallel government" gradually became a nuisance to the military government headed by General Saw Maung, who seized power on September 18, 1988.

Repeated calls for its abolition have been made by the government information committee and in the state-owned media, but U Nu has steadfastly ignored them.

Complications began to appear when "ministers" of the "parallel government" took steps to contest multi-party elections to be held in May.

Under the parliamentary elections law, persons who have links with illegal organisations are barred from contesting elections, and the "parallel government" is such an organisation, in official eyes.

The "parallel government" became an intolerable thorn in the side of the military government when, on Christmas Day, U Nu announced that he would not dissolve it unless and until retired General Ne Win, former armed forces chief, admitted in writing "his mistake" in having seized power against U Nu, then prime minister, in 1962, expressed regret for it, and pledged not to do it again.

This seems to have been the last straw for the military government.

Sikhs paralyse Punjab

SIKH militants paralysed Punjab with a general strike yesterday, issuing a series of demands to the new Indian government which is seeking to end a bloody separatist campaign in the northern state, Reuter reports from Amritsar.

The All-India Sikh Students' Federation (AISSF), which called the strike, claimed it was a near-total success, amounting to a popular endorsement of their terms for an end to a campaign in which more than 2,000 people died last year.

India's new government has held one all-party meeting to thrash out ways of ending the strife and plans to hold another later this month.

The federation's main demand was the release before state elections due by May of all militants detained under anti-terrorism legislation since the troubles began in 1978.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

					% change over previous year
	Nov '89	Oct '89	Sept '89	Nov '88	
US	114.4	114.2	114.9	113.1	+1.1
Japan.	120.5	119.7	119.2	116.7	+3.3
	Oct '89	Sept '89	Aug '89	Oct '88	
France	112.4	111.2	113.2	106.8	+5.2
UK	111.4	110.5	111.6	110.1	+1.2
W.Germany	111.1	112.2	112.4	107.6	+3.3
	Sept '89	Aug '89	July '89	Sept '89	
Italy	119.5	121.0	117.3	115.6	+3.4

Source: (except US) Eurostat

UK NEWS

Executives confident about their companies

By Simon Holberton, Economics Staff

OPTIMISM ABOUT the prospects for the British economy is at a low point, but company executives believe the prospects for their businesses remain bright, according to an Institute of Directors survey published yesterday.

In welcome news for Mr John Major, the Chancellor, the bi-monthly survey of 200 directors of British companies indicates that pressures in the labour market are easing and that insufficient demand is the leading concern of business.

Mr Peter Morgan, director general of the IoD, said the survey's findings made talk of recession "premature and over-reactive." Last month's survey found 75 per cent of respondents believed their own company was doing "very well" or "fairly well."

"To sustain this optimism and mitigate the effects of high interest rates we need a Budget which will reduce the tax burden for both individuals and stimulate saving and business investment," he said.

The majority of directors surveyed – 65 per cent – said they were less optimistic about the UK economy's prospects than they were six months ago. This represented a slight improvement on the IoD's October survey when 69 per cent reported a lower level of optimism.

Half the directors surveyed reported that over the past six months the trend in volume of their business was up compared with the same period a year ago, with 26 per cent reporting that it had remained the same.

The trend in profits growth was also higher for 43 per cent of respondents in the latest six months compared with the same period a year earlier.

Labour supply was cited by 17 per cent of respondents as their main concern, compared with 20 per cent in October and 22 per cent in August.

Labour tries to allay tax plan fears

By Michael Cassell

LABOUR yesterday stepped up efforts to assure voters that its proposals for restructuring existing levels of personal taxation will not raise tax bills for people on middle incomes.

Dr John Marek, a front-bench Treasury spokesman, dismissed as "scare tactics" suggestions that many middle-income earners would find themselves worse off under Labour.

The party is pledged to end its reputation for imposing penal levels of taxation and has already stated that it will raise the top rate of income tax to 50p in the pound. The lifting of the earnings ceiling on national insurance contributions will effectively give a top rate of 59p.

Speculation over the effect of Labour's tax plans on middle-income earners rose at the weekend, following several independent calculations which suggested people earning more than £18,000 a year would be worse off. Those on salaries of £60,000 a year could see take-home pay fall by nearly £10,000, although people earning £15,000 could still be better off.

The claims were immediately rejected by Mr John Smith, the shadow Chancellor, who said no meaningful calculations were possible until Labour had fixed the various tax bands at which differential rates of income tax would be paid.

Dr Marek emphasised that Labour's tax plans had yet to be finalised.

January sales business brisk, say large stores

BIG STORES reported heavy selling in January sales yesterday, in spite of pessimistic forecasts. Mr Bob Ager, marketing director of Selfridges, in Oxford Street, London, said trade since the start of December had been at least 10 per cent up on last year.

The drop in trade seemed to have been confined to goods associated with the home, he said.

Post-Christmas sales had been running about 10 per cent up on last year and New Year's Day was clearly no exception, Mr Ager said.

In Manchester, about 100 people were waiting outside Kendals store when it opened. Women's fashion and men's casual wear attracted customers, but the briskest trade was in cut-price electrical goods.

"The weather isn't too bright which is in our favour and encourages the customers," said Mr Stephen Plant, assistant store manager.

PM praises Gorbachev's role in E Europe changes

By Michael Cassell, Political Correspondent

MRS MARGARET Thatcher last night told the Soviet people that President Mikhail Gorbachev deserved "special credit" for the historic changes sweeping across Eastern Europe.

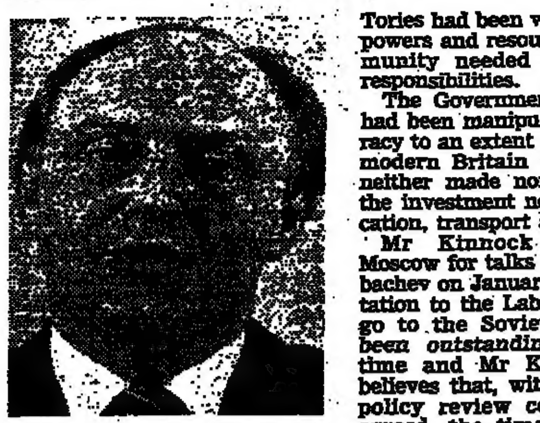
In a new year message broadcast on the BBC World Service, the Prime Minister said 1989 had been a remarkable year, at the end of which hopes for a more peaceful and prosperous world stood high.

World statesmen, she said, were now working more closely together than ever before. Mr Gorbachev, in particular, understood the aspirations of millions of ordinary people and had displayed the courage and vision to take the difficult decisions which had made many of them become a reality.

Mrs Thatcher said she was looking forward to her proposed visit to Moscow this year, following Mr Gorbachev's visit to London in 1989.

In her earlier Christmas message to the British electorate, she claimed the country had "limitless opportunities" in the 1990s after a decade in which socialism had been shown to be a complete failure.

Her remarks were countered by Mr Neil Kinnock, the Labour leader, who claimed that the Government was inflicting deep economic difficulties on the country. He accused Mrs Thatcher of adopting a "dog in the manger diplomacy" which threatened to leave Britain isolated.



Neil Kinnock: to have talks in Moscow this month

Mr Kinnock said that in the 1990s the British people were ready to give Labour a chance to make change work for the good of the whole country. He said that, for 10 years, the Tories had been weakening the powers and resources the community needed to meet its responsibilities.

The Government, he added, had been manipulating democracy to an extent not known in modern Britain while it had neither made nor encouraged the investment needed in education, transport and housing.

Mr Kinnock will visit Moscow for talks with Mr Gorbachev on January 16. An invitation to the Labour leader to go to the Soviet Union has been outstanding for some time and Mr Kinnock now believes that, with his party's policy review complete and agreed, the time is right to make the visit.

According to a Labour spokesman, the visit will be "short and businesslike" and the talks between the two leaders are expected to concentrate on further arms reduction initiatives and the fast-moving events in Eastern Europe.

Labour is particularly confident that its newly-adopted defence strategy, which embraces negotiated nuclear disarmament, will enable it to be seen to play a constructive role in the next stages of strategic arms reductions.

Why Macmillan ensured Cunard had it so good

By John Mason

CABINET PAPERS released under the 30-year rule offer insights into early views about a Channel tunnel. The British attitude to be taken if there were any revival of interest in a tunnel was spelt out by Harold Watkinson, Minister of Transport in the Conservative Government led by Mr Harold Macmillan.

It remained the Government's view that air and sea links were adequate. However, the Transport Minister conceded that British participation in any project would create "a particularly good impression" in France.

Mr Watkinson, who later became a peer and in 1976 chairman of the Confederation of British Industry, also said there would be no objections on defence grounds, but defence planners insisted that there had to be some way of putting the tunnel out of action to prevent possible invasion.

The Macmillan Government's stance on intervening in industry was demonstrated by the decision reached in principle to help Cunard replace its ageing liners, the Queen Mary and the Queen Elizabeth.

Replacements were estimated to cost £30m per ship, of which Cunard could provide only £12m. Memoranda from the Chancellor of the Exchequer and Mr Watkinson, showed that Cunard approached the Government for aid, effectively in the form of direct subsidy.

The memo concluded that the proposition could not be justified on economic grounds. However, it recommended in principle that support be given, since Cunard would otherwise wind down its North Atlantic operations, with consequent loss of foreign currency receipts, damage to the tourist trade and, most importantly, an "enormous loss of prestige to this country."

The main focus of political interest as 1959 began was the virtual certainty of a general election during the year.

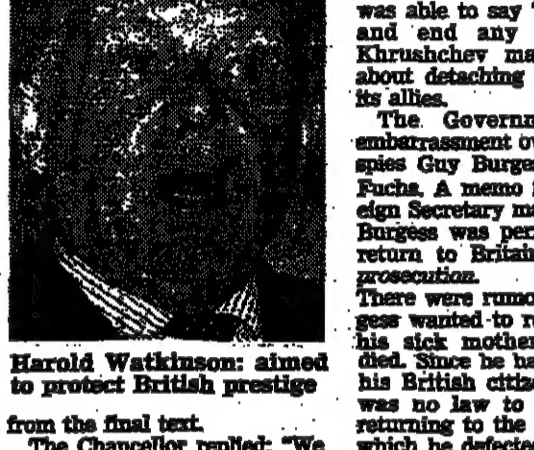
The papers reveal the gulf of difference between Mr Macmillan's brand of Toryism and that subscribed to by the present Government. An exchange of letters between the Prime Minister and Mr Derick Heathcoat Amory, the Chancellor, before the 1959 Budget provide one example of the Macmillan Government's approach to handling the economy.

Concerned about a recession, the Prime Minister favoured a lowering of the bank rate to ensure a large enough money supply to promote economic expansion. Credit restrictions had already been eased and the banks encouraged to lend. But he warned: "All the things we have already done and any further measures we may take could be stultified if the total quantity of money is not sufficient for the expansion of the economy."

He went on: "If the traditional monetary remedy is followed, even if this means some temporary change in funding policy, the recession will end, property will be sound, the Bank of England will be preserved and funding in 1960 will be easier than ever before.

"If it is not followed, the Old Lady of Threadneedle Street can take no consolation from the fact that she had brought ruin on herself as well as on much wider interests, national and international."

In his first draft of this letter, Mr Macmillan also said such a strategy would ensure the Government's re-election, but this thought was removed from the final text.



Harold Watkinson: aimed to protect British prestige

The Chancellor replied: "We are in substantial agreement on the lines we should be following, though I know that your own judgment sometimes suggests a rather faster pace than does my own."

However, having delivered his Budget, which cut the standard rate of income tax by 9 old pence, reduced excise duties and increased investment allowances, the Chancellor began to sound caution over the expenditure consequences of the Government's initial pre-election planning.

Mr Heathcoat Amory warned against the scale of increases in spending on education, the National Health Service and defence, planned for the manifesto. It could not be assumed that this expenditure increase – at 7 per cent, the largest since the war – could be financed by present growth rates.

"It would no longer be honest to say that the Conservative Party accepts as a main objective the reduction in taxation," he said.

The Prime Minister acknowledged there could be electoral dangers, particularly if the election was held in the autumn.

"It would certainly be unfortunate if the present Government were not able to make further tax reductions in the next Budget," he replied. Spending plans were duly trimmed.

On the international front, relations with the Soviet Union were prominent on the agenda, notably concerning the future of Berlin and possible German reunification.

The papers disclose Mr Macmillan's initial unease over the trip he and Mr Selwyn Lloyd, the Foreign Secretary, made to Moscow in February 1959.

"When he had set out for Russia, he had been concerned that his action in reviving the invitation might have been construed by Khrushchev as a sign of weakness and might have been accepted as an opportunity for trying to drive a wedge between us and our Allies."

However, the papers report he was "delighted" when the Soviet leader made a blunt speech containing propositions that were clearly unacceptable to the British. Mr Macmillan was able to say "hard things" and and any illusion Mr Khrushchev may have had about detaching the UK from its allies.

The Government feared embarrassment over the Soviet spies Guy Burgess and Klaus Fuchs. A memo from the Foreign Secretary made plain that Burgess was perfectly able to return to Britain and escape prosecution.

There were rumours that Burgess wanted to return to visit his sick mother before she died. Since he had maintained his British citizenship, there was no law to prevent him returning to the country from which he defected in 1951 and there was too little evidence to bring a prosecution.

Similarly, the British Government had no way of stopping Fuchs returning to East Germany once he had served his sentence. Although it was considered that Fuch's knowledge of British atomic technology would be out of date, Mr R.A. Butler, the Home Secretary warned that a move by the former spy to East Germany could lead to criticism in Britain and from the US.

The Cabinet minutes also demonstrate how immigration remained an important issue to the general public.

Although eventually dropped, a Deportation Bill was prepared which would have allowed the removal of immigrants convicted of an offence carrying a jail sentence. A Cabinet memo from Viscount Kilmuir, the Lord Chancellor, identified as serious problems the scale of immigration, their tendency to settle together in particular areas and public anxiety over the criminal activities of a small minority.

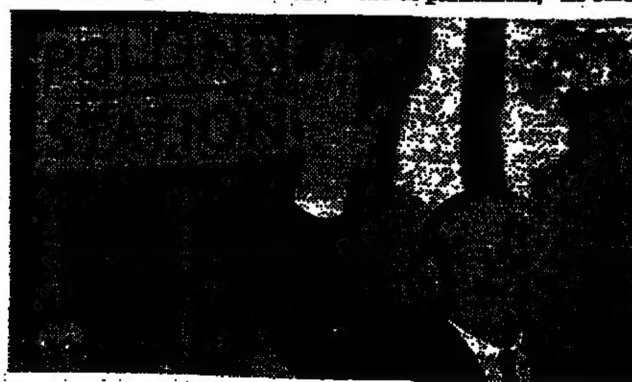
"It would be better for the Government to introduce legislation permitting such deportations before further race riots compelled even more drastic action, he said.

The year saw two other ideas which failed to get off the ground. The Chancellor proposed a £2 note, which he said would be more convenient and enable the Treasury to make substantial savings by reducing the number of notes in circulation. The idea did not win Cabinet approval.

Sir John Laing also wrote to the Prime Minister suggesting that both the Conservative and Labour parties should unite to ban strikes with disputes being resolved by an independent body comprising industrialists and trade unionists.

Macmillan courteously replied that such a strategy would lead to an increase in unofficial strikes.

"I doubt, in a matter where human conduct is so much involved, whether we could hope to make people good by act of parliament," he said.



Polling power: Macmillan votes in the 1959 election

هيئة أمنة الأصل

UK NEWS

Ulster companies face new laws on religious equality

By Ralph Atkins

COMPANIES in Northern Ireland face new laws from today which could force them to take positive steps towards combating discrimination in the job market between Catholics and Protestants.

The 1989 Fair Employment (Northern Ireland) Act, outlaws "indirect" discrimination in the province arising from unjustifiable employment practices.

Its aim is to break down inequality - and in turn bitter division - between the loyalist and nationalist communities. Direct discrimination has been illegal since 1976.

Although the Act has received at most a muted welcome from many Northern Ireland politicians, the Government believes it is a step towards easing tension in the province.

Opponents have complained that the Act has too many loopholes or that it will be an administrative burden on employers, affecting their competitiveness.

It also depends on future economic growth in a region where in some local pockets unemployment exceeds 50 per cent.

Where Protestants or Catholics are found to have unfair access to jobs, companies may have to take "affirmative action". This could mean changing recruitment practices - by advertising in newspapers sold to a particular community, for instance.

A new Fair Employment Commission will be able to issue legally enforceable directions - including setting goals and timetables for employers. A Fair Employment Tribunal will have powers to impose fines of up to £30,000.

Companies could also be threatened with the withdrawal of valuable Government contracts.

A code of practice published by the Government today advises companies to actively practise fair employment as part of personnel procedures.

It urges companies to create a neutral working environment by prohibiting the display of flags, posters or graffiti that are likely to cause offence to existing or potential employees.

Mr Richard Needham, Northern Ireland minister responsible for the economy, said the regime was "tough but fair."

He promised to maintain Government efforts to bring jobs to the province in order to complement the new legislation.

Under the Act, companies with more than 25 employees will have to register with the Fair Employment Commission and monitor the religious composition of their workforce. Employment practices will have to be reviewed at least once every three years.

S.G. Warburg most active financial adviser in takeover bids for UK companies in 1989

Latest figures put Goldman Sachs top for international deals

By Martin Dickson

S.G. Warburg was the most active financial adviser in takeover bids for UK companies in 1989, while Goldman Sachs topped the league for international deals, according to figures published today by FT Mergers and Acquisitions magazine.

S.G. Warburg was involved in 29 completed bids for quoted UK companies, worth £25.9bn (see table 1). Lazard Brothers is in second place, with 19 deals, worth £20.4bn and Goldman Sachs third with four deals, worth £19.8bn.

The 1989 statistics are dominated by the £13.5bn bid from Sir James Goldsmith's Hoylake company for BAT Industries. The two sides had a total of seven financial advisers and these occupy the top slots in the league table.

The advisers to BAT were Warburg, Lazard Brothers, Goldman Sachs and Shearson Lehman. Hoylake was advised by Hambros, Bankers Trust and Drexel Burnham Lambert.

Apart from BAT, Warburg's other large deals included the £2.2bn bid by Isosceles for Gateway and advising GEC and Siemens (together with Schroders) in the £2bn bid for Plessey. It was also joint adviser, with Goldman Sachs, in Ford's £1.6bn bid for Jaguar.

Lazards owed its number two position not only to the bid for BAT but also for its work defending both Plessey and Gateway (the latter in conjunction with Lazard Freres, the New York house, and Morgan Grenfell).

Goldman Sachs has been the most successful of the US banks which have invaded the UK takeover business. Apart from advice in the Ford and BAT bids, its credits include the £4.5bn merger between SmithKline Beckman and Beecham.

But other American banks are encroaching more and more on UK takeover work and occupy eight of the top 20 places in bids for quoted British companies.

Bankers Trust, which is in fourth position in table one, has been extremely active in 1989. Apart from BAT, it was involved in a series of bids for water companies, the ill-fated management buy-out of Magnet and the £382m Bowater bid for Norton Opax.

Many merchant banks argue that the impact of the American attack is exaggerated by table one, since this assigns the full value of a bid to all the advisers of a company named in the bid documentation. The argument is that the better merchant bank will not need to share its work.

Table two adjusts for this. It takes the value of all advisory work to UK companies in takeovers – be they bids for quoted companies, private ones, in the UK or abroad – and then divides the value of bids between the advisers to any one party.

Schroders advised GEC and Siemens in their bid for Plessey and defended Consolidated Gold Fields in two bids, each totalling £3.5bn, first from Minorco and then from Hanson.

Kleinwort advised in the merger of Beecham and SmithKline, the £1.3bn defence of Hammerson from Rodamco and the £900m bid by Boots for Ward White. Morgan Grenfell's credits include acting for Jaguar in the bid from Ford and for Minorco in the Consolidated Gold Fields bid.

Goldman Sachs heads the list of advisers involved in cross-border deals, advising on 40 deals worth £33.6bn, with S.G. Warburg in second place, with 33 deals worth £24.4bn.

Table 1: COMPLETED BIDS FOR PUBLICLY QUOTED UK COMPANIES IN 1989

Financial advisers named as such in bid documentation

	Adviser (1988 position)	Bid value (£m)	Number
1	S.G. Warburg (3)	25,995	29
2	Lazard Brothers (9)	20,385	19
3	Goldman Sachs (-)	19,874	4
4	Bankers Trust (-)	14,988	11
5	Hambros (16)	14,736	15
6	Shearson Lehman (10)	13,657	3
7	Drexel Burnham Lambert* (-)	13,500	1
8	Schroder Wagg (1)	12,414	25
9	Morgan Grenfell (2)	11,631	25
10	Kleinwort Benson (5)	9,514	20
11	N.M. Rothschild (7)	8,050	17
12	Wasserstein Perella (-)	6,700	2
13	Lazard Freres New York (6)	6,097	3
14	S Montagu(8)	5,280	18
15	J.P. Morgan (-)	4,500	1
16	Dillon Read (-)	2,200	1
17	BZW (13)	1,423	20
18	Barings (11)	1,264	14
19	R. Fleming (14)	1,083	13
20	Charterhouse (15)	1,044	17

*Drexel declined to give full details of activities.

Table 2: BIDS FOR UK COMPANIES AND BRITISH BIDS ABROAD IN 1989, ADJUSTED TO TAKE ACCOUNT OF JOINT ADVISERS

Where more than one bank has advised a party to a deal, this table divides the value of the transaction between them

	Adviser (1988 position)	Bid value (£m)	Number
1	S.G. Warburg (1)	19,799	82
2	Kleinwort Benson(4)	13,883	66
3	Schroder Wagg (3)	13,512	68
4	Lazard Bros (6)	12,374	57
5	Morgan Grenfell(2)	10,727	61
6	Goldman Sachs (8)	10,567	14
7	Shearson Lehman (-)	8,690	31
8	Bankers Trust (-)	7,334	21
9	N.M. Rothschild (10)	6,682	41
10	Hambros (17)	5,449	38
11	Lazard Freres NYK (14)	4,990	12
12	S. Montagu (7)	4,711	57
13	Drexel Burnham (-)	4,500	1
14	Wasserstein Perella (-)	3,900	5
15	BZW (12)	3,094	80
16	Baring Bros (9)	3,017	38
17	J.P. Morgan (-)	2,973	4
18	Hill Samuel (20)	2,293	63
19	Morgan Stanley (-)	2,046	15
20	R. Fleming (15)	1,830	44

Table Three: INTERNATIONAL BIDS IN 1989

Adviser (1988)	Bid Value (£m)	Number
1 Goldman Sachs (1)	33,660	40
2 S.G. Warburg (6)	24,401	33
3 Lazards (10)	21,868	20
4 Shearson Lehman (5)	17,887	42
5 Bankers Trust (-)	16,889	29
6 Hambros (-)	13,992	5
7 Drexel Burnham* (-)	13,500	1
8 First Boston (2)	13,020	44
9 Morgan Grenfell (9)	12,892	45
10 Lazard Freres (-)	10,650	16
11 Morgan Stanley (3)	10,163	55
12 Wasserstein Perella (-)	10,009	20
13 Schroder Wagg (7)	9,121	27
14 Kleinwort Benson (12)	7,718	24
15 J.P. Morgan (-)	6,946	8

Includes bid cross-border bids and domestic bids where a foreign bank has acted as financial adviser. Full value of bid given to advisers, but only those named in bid documentation.
* Drexel declined to give full details of activity

Additional figures, adjusted for joint advisers and other factors, put First Boston of the US at the head of the league of advisers involved in cross-border deals, in front of Goldman, Warburg and the Wall Street boutique Wasserstein Perella.

UK NEWS — EMPLOYMENT

Unions' organising attempts highlighted

By John Gapper, Labour Editor

COMPANIES using human resource management techniques, such as profit-sharing to increase employee-involvement, are more likely to face attempts by unions to recruit their workers and gain recognition, a study has found.

The study of the pattern of union-organising attempts in the 1980s found that non-union companies which tried to involve their workforces in different ways were more likely to attract the attention of unions.

The finding is significant because of the use by some companies of human resource management techniques to discourage their workers from joining unions in order to force improvements in conditions.

It suggests that the existence of consultation mechanisms, such as joint staff committees in non-union companies, may encourage unions to believe that recruitment and recognition attempts are more likely to be worth the effort.

The unpublished academic study was based on the 1984 Workplace Industrial Relations Survey.

It concluded that unions concentrate most organising efforts on companies in traditional areas but there are some signs of change.

Unions tended to try to organise in large, British-owned companies but seemed to be starting to respond to labour market changes. Companies with more women and part-time workers were more likely to face organisation attempts.

The study tested the probability of organising attempts in companies with three common features of human resource management: a changed staff consultative committee, a profit-sharing scheme or an attempt to raise employee-involvement.

Each of the three was found to raise the probability of an organising attempt, particularly among non-manual employees. A staff committee increased the probability of an attempt to organise among non-manuals by 11.8 per cent.

Foreign ownership of companies was found to be a significant discouragement to unions. Foreign-owned companies were 42.6 per cent less likely to face an organising effort.

Union Recruitment and Organising Attempts in Britain in the 1980s; by P.B. Beaumont, Social and Economic Research Department, Glasgow University, and R.I.D. Harris, Economics Department, Waikato University, New Zealand.

Tory support for ambulance staff grows, say unions

By Fiona Thompson, Labour Staff

A MAJORITY of backbench Tory MPs are unhappy with the way the Government is dealing with the long running ambulance dispute and think ambulance workers deserve a better pay deal, according to union leaders.

Mr Bob Abberley, parliamentary liaison officer for the five unions representing the country's 22,500 ambulance workers, said yesterday that 250 to 300 backbench Tory MPs had been contacted either by local ambulance crews, the national union leadership or lobbyists at the House of Commons.

"The overwhelming majority expressed support either for an improved pay offer or for putting the issue to arbitration," he said.

Mr Abberley said there was now considerable pressure on Mr Kenneth Clarke, Health Secretary. Tory MPs were "getting nervous," and the dispute had been dragging on for too long.

The action in support of a rejected 6.5 per cent pay offer began 16 weeks ago tomorrow. Union leaders are facing calls from grassroots ambulance workers to step up industrial action but in spite of some demands for an all-out strike, Mr Roger Poole, the chief trade union negotiator, said yesterday he was confident it would not come to that.

He said Mr Clarke had been "trying to provoke a strike ever since the dispute started. But ambulance workers are not going to fall into his trap.

"We cannot go on an all-out strike in the ambulance service. The consequences of that would be quite horrific."

He said more and more Tory MPs who were appalled at Mr Clarke's handling of the dispute were publicly saying so.

Mr Clarke said yesterday he was very pessimistic about the prospects of a settlement. He said he would be writing this week to 190 district managers of regional health authority hospitals spelling out to them why he would remain firm on the 9 per cent 18-month pay offer and make no concessions to the ambulance workers.

If more money was made available, it would only mean the closure of hospital wards, he said.

The ambulance union leaders and regional representatives will meet on Thursday to decide how to step up their action short of a strike. It is likely to involve greater use of public and parliamentary support.

BT will discuss calls to improve pensions

By Diane Summers, Labour Staff

BRITISH TELECOM has agreed to meet union leaders soon in response to their demands for improvements to the company's pension scheme.

The talks follow an announcement last month that BT was suspending contributions to the older and larger of its two pension funds — perhaps for as long as 10 years — and reducing contributions to its other fund.

A pensions study published recently by Eclipse Publications said the £1.6bn surplus on the older fund was the largest ever revealed in the UK, beating the British Rail scheme, the previous record holder, by £200m.

The National Communications Union and other unions want improvements in the amount paid out by the pension funds and increases in life insurance cover.

Pension payments currently can be worth up to half of final salary; the unions want that increased to two-thirds. They also want life insurance cover to be raised to four times salary and early retirement terms to be improved.

The BT unions are angry they were not consulted before the announcement of the pensions holiday was made. The National Communications Union claimed that the suspension of payments could save the company about £200m a year.

Mr Tony Young, NCU general secretary, said: "What BT did was quite disgraceful. The surplus money should be used to the benefit of members."

The approach taken so far by BT contrasts with British Rail's. BR cut employee contributions, following long negotiations with the unions, rather than suspending its own contributions to the fund. In addition, substantial improvements in benefits have been made.

Occupations Pensions, Eclipse Publications, 18-20 Highbury Place, London N5 1QP. £99 for annual subscription.

TUC sees role in eastern Europe

By Our Labour Staff

BRITISH UNIONS could play a vital role in helping workers of eastern Europe establish their own effective trade union movements, said Mr Norman Willis, TUC general secretary.

Writing in the January issue of the TUC Bulletin, published today, Mr Willis says: "The TUC played an honourable part in West Germany after the Second World War, helping to re-establish effective trade unions which have played a major part in that country's rise to economic power.

"We might yet be called upon to play a similar role east of the old Berlin Wall."

He said that while the Polish people were looking for more investment, they did not want to be victims of exploitation.

DIARY DATES

Overseas exhibitions

January 8-11 International Hotel, Restaurant and Catering Industries Trade Fair - HORECAVA (01-495 7977) **Amsterdam**

January 10-13 International Home and Household Textiles Trade Fair - HEIMTEXTIL (01-734 0543) **Frankfurt**

January 13-15 International Fairground and Leisure Park Equipment Trade Fair - INTERSCHAU (01-236 0911) **Stuttgart**

January 12-17 Carpets, Rugs, Decorative Goods and Home Accessories Exhibition; Jewellery, Gold and Silverware, Clocks, Watches and Gifts Exhibition; and 25th International Lighting Exhibition - LUMINAIRE (01-225 5566) **Paris**

February 8-14 International Toy and Hobby Fair (01-930 7251) **Nuremberg**

February 9-18 International Boat Show (01-486 1951) **Helsinki**

Business and management conferences

January 9 The Institute of Economic Affairs: The state of the economy (01-799 3745) **QE2 Conf Centre, London**

January 10 Textile Institute: Textile interiors - a challenge to innovation (061 834 8457) **Heimtextil Exhibition, Frankfurt**

January 11 HS Conf: The audit secretary today (01-935 2382) **Cafe Royal, London**

January 16-17 Spectra: Electronic marketing 1990 in retailing and finance (0734 320177) **Regent Crest Hotel, London**

January 17 Gouldens: Cross border mergers and acquisitions seminar (01-583 7777) **Mayfair Inter-Continental Hotel**

January 22 Profex: The United Kingdom property insolvency conference (01-950 0400) **The London Marriott Hotel**

January 22-23 Financial Times: Creating a Euro-workforce in the 90s (01-925 2323) **Hotel Inter-Continental, London**

IBC: Global emerging stock markets - the potential for the 1990s (01-637 4383) **Portman Inter-Continental Hotel, London**

January 23 Joint CB/British Gas Conf: Tunisia - Future prospects for the UK (01-379 7400) **CBI Centre Point, London**

January 25 Hawksmere: 1992 - Opportunities and pitfalls for the European insurance industry (01-824 8257) **Scandic Crown Hotel, Brussels**

Institute of Personnel Management: Pay in the 1990s (Compensation Forum) (01-946 9100) **London**

January 31-February 1 Concorde Services: Broadcast Europe 1990 - 4th annual satellite television marketing conference (01-743 3106) **Inn on the Park, London**

February 7 BCB Conf: Disaster relief and mitigation (01-222 3651) **QEII Conf Centre, London**

February 12-13 Financial Times: Commercial aviation in the Asia-Pacific region to the end of the century and beyond (01-925 2323) **Singapore**

February 13-14 National Materials Handling Centre: Warehouse & distribution software conference - technology for profit (0234 750333) **Ramada Inn, West London**

February 15 Design for Europe conference (01-228 8084) **QEII Conf Centre, London**

February 19 Technology Forum: Risk assessment techniques and fire safety (01-519 4105) **London Tara Hotel**

February 20 Information for Energy Group: Oil price information (01-636 1004) **Institute of Petroleum, London**

February 22 PCTS: ESOPs, share schemes, and performance related pay for executives and employees (01-284 0470) **Cafe Royal, London**

February 22 Tolley: International tax planning conference (01-680 5682) **London Press Centre**

February 28-March 1 Financial Times Conference: Cable television and satellite broadcasting (01-925 2323) **Hotel Inter-Continental, London**

Trade fairs and exhibitions: UK

January 4-14 London International Boat Show (0932 854511) **Earls Court**

January 6-10 International Lightshow Exhibition (0588 4656) **Olympia**

January 10-12 Supercomputing Exhibition and Conference - SUPERCOMPUTING EUROPE (01-948 5166) **Olympia**

January 13-14 British Horse and Rider Show (01-834 1717) **Wembley Centre**

January 13-18 International Toy Fair (01-236 6653) **Harrogate**

January 18-21 Antiques Fair (04447 2514) **Kensington Town Hall**

January 22-27 International Hotel and Catering Exhibition - HOTELYMPIA (01 948 9900) **Olympia**

January 23-25 Enterprise Exhibition (01-642 7688) **Barbican, London**

January 27-31 British International Toy and Hobby Fair (01-701 7127) **Earls Court**

January 30-February 1 Construction Industry Computer Exhibition (01-251 5885) **Barbican**

February 4-8 International Spring fair (01-855 9201) **NEC, Birmingham**

February 7-9 Undersea Defence Technology Conference and Exhibition (0892 44027) **Novotel, London**

February 7-11 Scottish Boat, Caravan, Camping and Leisure Show (041-221 1769) **Exhb and Conf Centre, Glasgow**

February 13-15 Corporate Computer Security '90 International Exhibition and Conference (0733 60535) **Novotel, Hammersmith**

February 14-16 The Property Business + Enterprise 3 (01-834 1717) **Barbican, London**

February 20-22 London Food Exhibition (01-486 1951) **Wembley Centre**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

YESTERDAY
DIVIDEND & INTEREST PAYMENTS-
AmBase Corp. 0.6cts
Anglovaal 300cts
Do. 5% Pf Prf 155cts
Baltic 7% Cnv Red Prf 3.5p
Blackett Hutton 5½% Prf 1.925p
Blockleys 5% Prf 1.05p
Boosey & Hawkes 7% Prf 2.45p
Do. 3½% Red Prf 1.925p
Bowater 30cts
British Aerospace 7.75p Cnv Red Prf 2.830138p
Brown & Jackson 10.75% Cnv Prf 5.375p
Calgary & Edmonton Railway 4% Deb 2pc
Canadian Pacific 4% Perp Deb 2pc
Carlton 3.75p
Chemical Banking Corp 68cts
Coastal Corp 10cts
Colne Valley Water 3½% Irrd Deb 1.75pc
Do. 4% Deb 2pc
Do. 4% Deb 2pc
Do. 5% Deb 2.5pc
Do. 5% Red Deb 2.5pc
Do. 10% Red Deb 5pc
Commercial Union Assurance 5% Red Prf 1.75p
Continental Microwave 3p
Drayton Consolidated Trust 2.8% Prf 1.4p
Do. 3.5% Prf 1.75p
Do. 5% Prf 1.75p
East Anglian Water 2.8% Prf 1.4p
Do. 7% Red Prf 3.5p
Do. 4% Perp Deb Stk 2pc
Do. 5% Perp Deb Stk 2.5pc
East Worcestershire Waterworks 4.3% Red Prf 3.15p
Do. 3% Irrd Deb 1.5pc
Do. 4½% Irrd Deb 2.25pc
Do. 5% Irrd Deb 2.5pc
Do. 7% Red Deb 3.5pc
Do. 8% Red Deb 4pc
Do. 12½% Red Deb 6.25pc
Eastern Transvaal Cons Mines 200cts
Elliott (B.) 3.15% Red Prf 1.575p
FII 7% Cnv Red Prf 3.65p
First Chicago 45cts
Fleming Overseas Inv. Trust 4½% Perp Deb 2.25pc
Govett Oriental Inv. Trust 5% deb 2.5pc
Grand Metropolitan 5% Prf 1.75p
Do. 6¾% Prf 2.1875p
Great Southern 6.75p Cnv Red Prf 3.375p
Greenalls Midlands 4% Irrd 1st Mtg Deb 2pc
Hartebeestfontein Gold Mining 65cts
Honeysuckle 3.8p
ITT 40cts
Iceland Frozen Foods Cnv Red Prf 2.75p
Illingworth Morris (Saltaire) 1.575p
Independent Newspapers 10% Sub Uns Ln 5pc
Keening Motor 5½% Prf 1.925p
Lee Valley Water 4% Irrd Deb 2pc
Do. 5% Irrd Deb 2.5pc
Do. 7¼% Irrd Deb 3.625pc
Do. 7½% Irrd Deb 3.75pc
Do. 7¾% Irrd Deb 3.875pc
Do. 8¼% Irrd Deb 4.125pc
Littleshall 1.75p
Lowland Inv. 11¼% Deb 5.625pc
Marks & Spencer 7% Prf 2.45p
Mid-Sussex Water 5½% Deb 2.75pc
Do. 5% Perp Deb 2.5pc
Mountleigh 2.625p
New Brunswick Railway Perp 4% Deb 2pc
Paramount Communications 17.5cts
Pearl 3¼% Prf 3.125p
Ranks Hovis McDougall 6% "A" Prf 2.1p
Do. 6% "B" Prf 2.1p
Do. 6% "C" Prf 2.1p
Renold 6% Prf 2.1p
Republic New York Corp. 33cts
Royal & Tompkins 3.75p
Sara Lee 21cts
Savage 5.5% Red Cnv Prf 3.25p
Sears 12½% Prf 4.375p
Do. 7% "A" Prf 2.45p
Do. 7½% Prf 2.625p
Simon Engineering 4.5p
Simons & Co. 2.625p
Smaller Co's Inv. Trust 1.75p
Smith (John) (Fleet Road) 5½% Prf 1.925p
Southend Property Hldgs. 5½% Cnv Red Prf 2.75p
Town Centre Secs. 9% Cnv Uns Ln 4.5pc
Williams 4p
Xerox 75cts
Yates (W.E) 7½% Prf 2.625p

TODAY
BOARD MEETINGS-
Finals:
First National Finance
Interims:
Kleinwort Benson Gilt Fund
DIVIDEND & INTEREST PAYMENTS-
ABB Kent 1.575p
Aberfoyle Hldgs 4pc
Allied Partnership 1p
Arden 11⅞% Uns Ln 5.875pc
Armstrong Equipment 2.275p
Argyle 6½% Prf 2.275p
Do. 9¾% Prf 4.875p
BCC 5½% 2nd Prf 1.925p
Do. 6% 1st Prf 2.1p
Baxter Intl. 14cts
Beazer 6.05p
Beeson 0.7p
Black Arrow 1p
Blue Circle Inds. 7¾% Cnv Red Prf 3.8125p
Bournemouth & District Water 2.8% Prf 1.4p
Do. 10% Red Deb 5pc
Do. 12¾% Red Deb 6.375pc
Bristol Water 3.5p
British Empire Sec & General Trust 10¼% Deb 5.1875pc
British Sugar 5.375pc
Brown & Jackson 0.5p
Bunzl 3.5p
CI 0.8p
Chester Waterworks 8% Red Prf 4p
Clayton Hldgs. 2.2p
Copley Vests 1p
Coren 2.1p
Courtney Pope Hldgs. 1.05p
Dalgety 10p
East Worcestershire Waterworks 7% Red Prf 3.5p
Egerton Trust 7% Cnv Red Prf 3.5p
European Colour 0.3p
FII 6.5p
Fashion & General Inv. 5p
Felixstowe Dock & Railway 325p
Folkestone & District Water 7% Red Prf 3.5p
Gartmore American Securities 0.8p
General Motors 7¾% Old Uns Ln Stk 3.8875pc
Hamilton Oil Corp. 48.75cts
Hanover Malaysian Plants 5sen
Harrisons 7% Cnv Red Prf 3.5p
Harris Intl. 2.8p
Henderson 3.5p
Ingall Ind. 8% Uns Ln 4pc
Lawrence (Walter) 2p
Lentex 1.5p
Locker (Thomas) (Hldgs.) 0.5p
London & Assoc. Inv. Trust 0.05p
Lyles (S.) 2.25p
Do. 11% Prf 5.5p
Martin (Albert) Hldgs. 1.8p
Martin Intl. Properties 4.5p
Mid Kent Water 6% 3p
Mid-Sussex Water 4% Perp Deb 2pc
Do. 11% Red Deb 5.5pc
Morgan Crucible 5.5p
National Home Loans Hldgs. 7.5% Cnv Prf 3.75p
Palma 1.2p
Property Security Inv. Trust 8% Prf 4p
R.E.A. Hldgs. 4.5p
Do. 13¼% Uns Ln 6.675pc
Do. 12% Cnv Uns Ln 6pc
Ramar Textiles 5% Prf 1.75p
Rickmansworth Water 4% Mtg Debs 2pc
Scottish & Mercantile Inv. Trust 1.2p
Sears Roebuck 50cts
Sharp & Law 8.5% Red Cnv Prf 4.25p
Silentnight Hldgs. 2.25p
TR Australia Inv. Trust 0.8p
Tates Hldgs. 8% Prf 4p
Toronto Grey & Bruce Railway 4% 1st Mtg Bds 2pc
Town Centre Securities 1.2p
Turriff 4.25p
Western Motor Hldgs. 5½% Cum Prf 1.925p

TOMORROW
COMPANY MEETINGS-
Edencorp Leisure, Rolls House, Fetter Lane, E.C., 12.00
BOARD MEETINGS-
Finals:
Abbey Panels
Interims:
Hollas
Peel Group
Savilles
DIVIDEND & INTEREST PAYMENTS-
Airflow Streamlines 2p
Allied London Properties 2.225p
Bimec Inds 0.33p
Brent Chemicals Intl. 4.5p
British & Commonwealth Hldgs 4p
C.H. Inds 9⅞% Red Prf 4.8125p
Cook (William) 4.5p
DAKS Simpson 7.85p
Do. "A" NV 7.85p
Elam 1.85p
Finlay (James) 2p
Fleming High Income Inv. Trust 1.3p
Mowat 1p
Rand Mines 105.996p
Rand Mines Properties 23.94082p
Usborne 0.5p
Wade Potteries 3.85p

THURSDAY JANUARY 4
BOARD MEETINGS-
Finals:
Haemocell
Interims:
Baker Harris Saunders
DIVIDEND & INTEREST PAYMENTS-
British Assets Trust 0.875p
E-Systems 12.5cts
Five Oaks Invs 1p
Do. 7% 2nd Prf 4.9p
GC Flooring & Furnishings 1.1p
Hadleigh Inds. 2p
Just Rubber 0.94p
Peek 1p
Silvermines 1.5p
Unit 2.5p
WCRS 3.35p
Waste Management 8cts

FRIDAY JANUARY 5
COMPANY MEETINGS-
Fenner (J.H.) Hldgs., Royal York Hotel, Station Road, York, 12.40
Jessups, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
M.M.T. Computing, Chesterfield Hotel, Mayfair, W.1., 2.00
National Home Loans Hldgs., Bakers Hall, Harp Lane, E.C., 12.00
BOARD MEETINGS-
Finals:
Jersey Electricity
Interims:
Goode Durrant
DIVIDEND & INTEREST PAYMENTS-
A.C. Hldgs. 1p
ADT 6.5cts
Ashley (Laura) Hldgs. 0.85p
Baird (William) 3.25p
Bankers Inv. Trust 4% Perp Deb 2pc
Bradford Property Trust 1.6p
British Inv. Trust 9p
Brown Shipley Hldgs. 4.5p
Budgens 2.67p
Cater Allen Hldgs. 5.37p
Dunhill Hldgs. 2p
Dwyer 2.5p
Eleco Hldgs 4p
Fletcher Challenge 17.8cts
Hogg Robinson 2p
Joseph (Leopold) Hldgs. 3.1p
Murray Smaller Mkts Trust 1.1p
New England Properties 10% Cnv Uns Ln 5pc
Regalian Properties 1.5p
Ross Catherall 2p
Runciman (Walter) 6p
Scottish American Inv. 0.95p
Scottish National 2.6p
Tottenham Hotspur 4p
United Biscuits 4.9p

SATURDAY JANUARY 6
DIVIDEND & INTEREST PAYMENTS-
British Shoe Corp. Hldgs. 7% Uns Ln 3.5pc
Clayform Hldgs. 5.5pc
Smith (W.H.) 8% Red Deb 4pc
Do. 5⅛% Red Uns Ln 2.5625pc
Do. 7¾% Red Uns Ln 3.875pc

SUNDAY JANUARY 7
DIVIDEND & INTEREST PAYMENTS-
House Of Fraser 8% Mtg Deb 4pc

CONTRACTS

Weir Pumps export orders

WEIR PUMPS has won two contracts, together worth £2.5m.

In Cyprus, the company will provide equipment, including six multi-stage pumps, for two pumping stations at Symvoulos and Kouris, which supply water to the Western Sovereign Base.

The base gets all its water from local boreholes, which is then dosed with chlorine. Because the base will in future receive its water from a river aquifer and dam, Weir will provide water treatment equipment at Symvoulos comprising chlorine dosing, pressurised water filters, and ferric sulphate dosing, to produce water to World Health Organisation standards. Work is to be completed by spring 1991.

In Ghana, Weir is to rehabilitate pumping stations supplying water to Kumasi, the country's second city. Work on the ODA-funded project is for the Ghana Water and Sewerage Corporation.

Other companies in the Group have won orders for: eight induced draft fans and four concrete volute cirulating water pumps at Stanwell power station for Queensland Electricity Commission, Australia (A$10m); and Hopkinson, Huddersfield valve-maker, has export orders from Iran, Taiwan and Chile, together worth £1.4m

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION COMPETITION ACT 1980 (SECTION 5) INQUIRY INTO HIGHLAND SCOTTISH OMNIBUSES LIMITED

The Director General of Fair Trading has asked the Monopolies and Mergers Commission to investigate the conduct by Highland Scottish Omnibuses Limited of its operation of the local bus services in the Inverness area, with particular regard to the revenue from, and cost of operating, such services.

Anyone wishing to obtain a copy of the full terms of reference or to submit evidence should write to: The Reference Secretary (Highland Scottish Omnibuses Inquiry), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

Any evidence should be submitted no later than 31 January 1990.

MMC INVITES EVIDENCE ABOUT PROPOSED ACQUISITION BY TIPHOOK PLC OF TRAILERENT LIMITED

The Monopolies and Mergers Commission would like to hear from any person or organisation with information or views on the acquisition by Tiphook plc of Trailerent Limited.

The Commission will be studying the possible effects of the acquisition on the United Kingdom markets for the provision and rental of trailers.

The Commission would like evidence in writing by 31st January 1990 to be sent to: The Reference Secretary (TTR), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE NO: 006951 OF 1989 CHANCERY DIVISION IN THE MATTER OF: BPP HOLDINGS plc and IN THE MATTER OF: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 8th November 1989 presented to Her Majesty's Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above named Company standing in the sum of £7,677,363.07.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Harman at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 11th day of December 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order of the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned Solicitors on payment of the regulated charge for the same.

DATED this 27 day of November 1989

Davies Arnold Cooper,
12, Bridewell Place,
London
EC4V 6AD

Tel: 01 353 5555
REF: [illegible]
Solicitors for the above named Company

Company No 806689
Registered in England and Wales
Baxter Fell
Northfleet Limited

NOTICE IS HEREBY GIVEN, pursuant to section 48(1) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at The Chartered Insurance Institute, 20 Aldermanbury, London EC2, on 19 January 1990 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than noon on 17 January 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies including faxed copies are not acceptable.

Date: 22.12.89

M A Jordan and M J Moore
Joint Administrative Receivers,
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

We, C W Nield and R E C Cook of Abacus Court, 6 Minshull Street, Manchester, M1 3ED were appointed joint administrative receivers of Brian Aspden Limited

Registered no 1314732

by Barclays Bank plc on 19 December 1989

Cyril W Nield
Joint Administrative Receiver


The basis is starch.
It is extracted from
potatoes or other plants
grown particularly for
industrial purposes –
plants not fit for human
consumption.
Starch is available in
abundance worldwide.

MANAGEMENT

Leeds Permanent

A search for better form

After several difficult years the UK building society is showing signs of regaining lost ground. David Barchard reports on its efforts to improve its performance

The dangerous middle ground is how the building society industry describes the group of societies a few rungs down in size from giants such as Halifax and Nationwide Anglia. These are societies which are too big for specialist regional or local markets, but not large enough to compete fully in retail financial services markets with the clearing banks.

Perched at the top end the list of these societies is Leeds Permanent, with assets of £12.9bn and pre-tax profits of £138m in the year ending last September. During the year Leeds Permanent doubled its market share to just under 10 per cent and pushed its profits up by 13 per cent despite the recession in the mortgage markets.

To other building societies, the results were a signal that Leeds Permanent is finally regaining its form after several very difficult years, during which it had been overtaken in size by Alliance & Leicester and was pushed out of the ranks of the top five societies.

For two years now, Leeds Permanent has been run by Mike Blackburn, who joined the society as chief executive after four years as head of Access, the credit card consortium, at Southend.

Blackburn took over at a time when both Leeds Permanent and the building society industry as a whole were facing painful questions about their future. For most of 1987, until the stock market crash, building societies were losing market share on both the savings and the mortgage sides of their business.

In 1987 Leeds Permanent was facing particular problems. It was a large society with a nationwide branch network which had grown rapidly in the 1970s, but it had changed less than most of its competitors and its management was widely regarded as weaker than average.

Its reserve ratio of 3.82 per cent of total assets in 1986 was the lowest in the entire industry, while its management costs were among the highest. The Leeds Permanent's management expenses to total income ratio, at 56 per cent in 1986 and 51 per cent in 1987, was well above the average for the top 15 societies.

One of Blackburn's first steps as chief executive was to call in consultants PE Imbucon to review possible cost cutting. PE Imbucon's recommendations led to cuts equivalent to savings of £15m a year. Another target was Leeds Permanent's independent investment agencies, which supplement the society's branch network. Blackburn decided that many of these were now of marginal benefit to the society and slimmed the number of agencies down from 1,700 to 450 in late 1988.

Another step was to appoint a business director, Chris Chadwick, recruited from Burton Group Financial Services. "We've got to have a business going and I'd sooner have plenty of business coming in and the administration in a bit of a shambles than the opposite. Commercial strategy comes first," says Blackburn.

At that point, Blackburn drew breath and decided to call in another outside consultancy company to advise him on long term strategy. This was not primarily because he felt unfamiliar with the business he was now running.

'I was not trained to think in terms of firing people but the problem was how much dead wood to cut'

"In many ways running Access and running a large building society are extremely similar," says Blackburn. "You find yourself handling the same retail finance issues such as marketing, costs, and personnel relations."

The concern was strategic. Building societies had a variety of options ahead of them, but the markets themselves were not sending back clear signals about which way to go. Blackburn says that he put three questions to himself and his colleagues about Leeds Permanent's future:

- Could the society run its business more efficiently than in the past?;
- What was its long term rôle to be in the increasingly fierce financial services market in the 1990s?;
- Should it shed mutual status and convert itself to PLC status?

Answering the first question depended on obtaining data that were not then available. "My predecessor had refused to authorise expenditure on management accounting," says Blackburn. "Trying to force out data from branches was like asking for the Holy Grail. What I wanted was to see cost information and monthly accounts."

Blackburn retained Hambros, the London merchant bank, to work on the implications of converting to PLC status. But by the summer of 1988 it was already clear that most large building societies, among them Leeds Permanent, would not follow Abbey National with a stock market flotation. Leeds Permanent was the first society to follow Halifax with an announcement that it would stay mutual.

For an overall plan on strategy and how to implement it, Blackburn turned to the Boston Consulting Group in April 1988. BCG spent three months during the summer producing what is described as "an overall vision" for Leeds Permanent's future and assessing organisational changes needed.

BCG produced a master plan on the overall direction of the Leeds for the next five to ten years, aimed at answering Blackburn's question about what sort of company should the Leeds Permanent look to become. The answer seemed to be that Leeds Permanent should not go into transactional retail banking and current accounts, but should concentrate on its traditional core business and activities closely linked to it.

By September BCG had designated 13 functional areas – and a core team had been established to work with line managers on implementation plans. This involved a further two or three reports on planning operations along with an intensive effort to inculcate new attitudes in the top 50 managers. Work on the new organisational structure got under way in October 1988 and most of the job changes were made during the following December and January.

"I think that what BCG contributed was not just to add objectivity and expertise. We also acted as a speaking partner for Mike at a time when it was difficult for him to speak to the organisation about what he was planning and helped give him the confidence to go ahead and make changes," says Andrew Torrance, vice president of BCG.

Another, tacit, benefit for Blackburn of using an outside consultancy firm may have been that it helped him win the approval of the Leeds Permanent Board for a series of drastic changes.

Blackburn decided to strip out a layer of management. Nearly half Leeds Permanent's 25 regional managers were given an early retirement package.

"I was not trained to think in terms of firing people but the problem was how much dead wood to cut. The obvious need was to bring in talent and say cheerio in a dignified way to faithful and loyal family retainers doing their best," he says. All in all, Leeds Permanent made around 100 of its managerial staff redundant.

'We will be content to replicate last year's mortgage business and not advance in market share next year'

On the product side, Blackburn launched a Visa credit card, but decided that a retail current account was "a bridge too far" for the Leeds.

"The decision not to launch a current account was not a difficult one to take. We were never going to make it in the transaction business," he says.

"When we looked at the figures for a current account, they were pretty horrendous. There were direct costs of £50 per current account, but the main constraint was the physical size of our average branch, about a third the size of the average Halifax or Abbey National branch."

Mike Blackburn: taking a risk by rejecting current accounts and transaction banking

By rejecting current accounts and transaction banking, Blackburn is taking a risk. He is flying in the face of all those who argue that success in retail banking in the 1990s will depend on current account relationships. Leeds Permanent is the only building society in the top five not to launch a current account.

However the diversification the society did attempt proved very expensive. Property Leeds, Leeds Permanent's estate agency operation lost £5.9m last year. The Visa credit card which Blackburn launched in the autumn of 1988 with a massive advertising campaign in the press, and which did much to raise the society's national profile, lost £7.5m. The Leeds Visa card has picked up 300,000 customers in a year and Blackburn says he hopes the card will move into profit within two years.

Against this background, Blackburn took the next step last October, by announcing plans to shut down 60 of Leeds Permanent's 481 branches, most of them small operations on the edges of large towns. He also shut 24 of the 140 branches of Property Leeds.

Blackburn selected the branches to be axed by dividing the society's network into deciles according to profitability.

"Getting at branch data was a constant problem," he says. "Branch information systems were geared to an historical environment which was much less competitive and information was not in place to manage the business on a commercial basis."

Since then the thrust has shifted to new activities. Leeds Permanent has gone on to open new-style branches with a revamped blue and white logo, showing two outstretched hands. It has also signed a £25m deal with Olivetti to give it a fully automated financial sales service which it claims is the most advanced in the country.

With much improved annual results two years running, Leeds Permanent has fairly convincingly shaken off the lethargy afflicting it in the 1980s. After last year's rapid growth in market share, Blackburn plans slower expansion in 1990.

"We will be content to replicate last year's mortgage business and not advance in market share next year," he says.

The real - and as yet unanswerable question - is whether Leeds Permanent is yet strong enough to survive the gruelling competition which all players in the retail financial services markets expect in the 1990s which many believe will sweep away most of the societies in the "dangerous middle ground."

Real-life perspective

Michael Dixon on an effort to rival the UK's Management Charter Initiative

Sixty management development specialists are meeting at Roffey Park College in Sussex this week to draw up a manifesto for improving British managers' performance in the 1990s. The document is intended to be a counterblast to the proposals of the Management Charter Initiative, which have the backing of the UK's official Training Agency.

The college is organising the conference jointly with the Association for Management Education and Development, many of whose members are opposed to the charter initiative scheme. They think it puts far too much emphasis on traditional off-the-job courses, and the award of a hierarchy of paper qualifications culminating in a master's degree in business administration from an academic management school.

The opponents believe that the focus should be on what managers do in their real-life jobs, with their organisations encouraging them to improve their abilities by providing support for their learning as well as keeping them under pressure to perform better.

Dr Ian Cunningham, director of Roffey Park, says that the charter initiative scheme was "an irrelevant distraction". It falsely assumed that the work of managing could be broken down into sets of specific skills, known as "competencies", which could be instilled into people by formal training.

"That is true of some elements of management such as computer skills and quantitative analysis, and in cases like those we're as keen on standard training as anybody else," he says. "But the most important part of managing consists of people-handling abilities including leadership; which the evidence suggests are not imparted successfully by academic-style courses. And how to improve those abilities is the question our conference is addressing."

The 60 people attending on Thursday and Friday will be mostly personnel executives from businesses and public-sector organisations, with a sprinkling of management tutors and consultants. The plan is that they will first share their experiences and ideas on four main topics — self-managed learning, self-development, action-learning, and the organisational support required for improving managerial performance.

Then the final session will be devoted to framing their conclusions as a practical manifesto for the next decade.

Business courses

Getting Down To Business In Japan. March 6 1990. Derby. Fee: £75 + VAT. Enquiries: The Manager, Business Enterprise Unit, Lonsdale Hall, Lonsdale Place, Derby. Tel:0332-294861. Fax:0332-294861.

Negotiating Computer Contracts: Strategies & Tactics for Vendors & Users. March 26-27 & October 22-23 1990. Fee: £545 + VAT. Enquiries: The Informatics Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel:01-871 2546. Fax:01-871 3866.

Tokyo-Based Japan Industry Training Courses. Tokyo. January & August 1991. Enquiries: Susan Hughes or Sue Woodford, Touche Ross Management Consultants, Hill House, 1 Little New Street, London EC4A 3TR. Tel:01-936 3000.

Executive Secretaries. February 21-23, May 16-18 1990. London. Fee: £545 + VAT. Enquiries: Monadnock International, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel:01-871 2546. Fax:01-871 3866.

Duties & Responsibilities of a Company Secretary. March 28 1990. London. Enquiries: Hayley Tuffin, Marketing Executive, Tolley Conferences, Tolley House, 2 Addiscombe Road, Croydon, Surrey CR9 5AF. Tel:01-680 5683/01-686 9141. Fax:01-686 3155/01-760 0588.

Strategy in Action 1990. March 12-16 1990. London. Fee: £2,195. Enquiries: Karen Moss, Registrar, Strategy in Action Programme, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel:01-262 5050. Fax:01-724 7875.

BUSINESSES FOR SALE

British Eagle Cycles Limited
In Administrative Receivership

The goodwill business and assets are offered for sale by the Joint Administrative Receivers.

The Company is believed to be the second largest British manufacturer of hand crafted high quality cycles and frame sets. Located in Mid-Wales the modern plant, equipment and leasehold premises provide scope for expansion. Current workforce 40 approximately.

- Sports and leisure ranges
- New 1990 ranges planned
- £1m p.a. turnover
- Skilled workforce
- 40,000 sq ft leasehold premises
- Finished stocks include mountain bicycles

For further details apply to:
A.M.D. Bird in Bristol Tel: 0272 211622. Fax: 0272 292801.
Queen Anne House, Queen Square, Bristol BS1 4JP.
or David Hill in Cardiff Tel: 0222 481111. Fax: 0222 482615.
Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS.

Touche Ross

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(Balearic Islands) SPAIN

Historic Architecture Hotel For Sale

500 rooms and suites. Historic architecture, 15 minutes from airport. Three large swimming pools, 17 meeting rooms, restaurants and more. Two 18 hole PGA golf courses.

Principals only, send inquire:
P.O. Box 3812,
Beverly Hills, Ca. 90212-0812
or Fax 213 271 6698

Goldthorn Greetings Limited
(IN ADMINISTRATIVE RECEIVERSHIP)

L H Gatoff, BA (Econ), FCA and R C Turton, FCA, the joint Administrative Receivers offer for sale the business and assets of this established company.

The business specialises in the publishing and finishing of greeting cards and the printing of giftwrap and operates from a freehold property extending to 30,000 square feet approx. in Hetton-le-Hole, Tyne and Wear. The other assets comprise of plant and equipment, stock and work in progress.

For further details contact:
Bill Paxton or Mrs Emma Kettle,
Spicer & Oppenheim & Partners,
93A Grey Street, Newcastle upon Tyne, NE1 6EA.
Telephone: 091 261 4111 Fax: 091 232 7665

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL
Authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

LEICESTER PRINT FINISHING LIMITED

The Joint Administrative Receivers of Leicester Print Finishing Limited, a Leicester Company engaged in guillotining, folding and stitching of printed material and other print finishing services, invite offers for the business and assets as a going concern.

Principal features include:
- Turnover approximately £600,000 per annum
- Leasehold premises of some 20,000 sq ft
- Modern equipment
- Established customer base
- Good reputation for service and reliability
- Skilled workforce

For further information please contact:
M.A. Halley, Joint Administrative Receiver.

KPMG Peat Marwick McLintock
Arlen House, Salisbury Road, Leicester, LE1 7QS
Telephone: 0533 471122
Fax: 0533 547626

ALTUS MOTOR COMPANY LIMITED
(IN RECEIVERSHIP)

The opportunity has arisen to acquire the motor dealership and assets of Altus Motor Company Limited (in receivership). The company, based in Folkestone, Kent, is the only local authorised dealer for Alfa Romeo, Daihatsu and Mazda and had a turnover in the six months to 30 November 1989 of £1,518,000. Principal features of the business include:

- Two leasehold premises, extensively refurbished earlier this year and comprising:
  - two showrooms
  - full service facilities with 6-car ramps and 6 other car bays
  - parts department
- Dealership agreements with Alfa Romeo, Daihatsu and Mazda which may be assignable.

The showrooms and service facilities are well located and are equipped throughout to most manufacturers' higher standards.

For further information please contact:
M.D. Gercke, Price Waterhouse, Bridge Gate, 55/57 High Street, Redhill, Surrey RH1 1RX.
Telephone: 0737 764300, Telecopier: 0737 772342 Telex: 92073

Price Waterhouse

KWIKLOK LIMITED
(IN RECEIVERSHIP)

SAGE (CYMRU) LIMITED
(IN RECEIVERSHIP)

Offers are invited by the Joint Administrative Receivers, AJP Brereton FCA and AE James FCA of Price Waterhouse, for the business and assets of the above companies

- Designers and manufacturers of flat pack and ready assembled furniture for major retailers
- Operating from long leasehold premises in Kirkby, near Liverpool.
- Skilled workforce of approximately 240
- Combined annualised turnover of approximately £15 million.

For further information, please contact AJP Brereton FCA or PA Longinotti FCA.
Price Waterhouse
York House, York Street,
Manchester M2 4WS.
Telephone 061 228 6541 Fax 061 228 1429

Price Waterhouse

SPECIALIST LEISURE INDUSTRY RENOVATION CONTRACTORS BARNSLEY, SOUTH YORKSHIRE

The business and assets of Modernisation Limited are offered for sale as a going concern by the Administrative Receivers.

Principal features include:
- Specialist interior designers and renovators operating throughout UK and Europe
- Turnover £4.5m+ per annum
- Strong customer base
- Large order book
- Freehold purpose built one-storey factory of 19,000 sq ft plus Office block of 6,000 sq ft

For further information, please contact the Joint Administrative Receiver:
Rodger Taylor

KPMG Peat Marwick McLintock
The Fountain Precinct, 1 Balm Green, Sheffield S1 3AF
Telephone: (0742) 766789 Fax: (0742) 766213
(Authorised by the Institute of Chartered Accountants in England & Wales to carry out investment business.)

Bul Systems Limited

Opportunity to acquire the business and assets of manufacturers of specialist powder handling equipment for pharmaceutical and process industries based in South Warwickshire.

- Turnover in the region of £2m per annum
- Freehold and leasehold properties totalling 25,000 sq ft
- Good order book
- Export sales 30-40%
- Full design and manufacturing facilities including auto modular process systems

Assets for sale will comprise freehold and leasehold property, plant, machinery, stocks and work in progress.

Interested parties should contact The Joint Administrative Receivers John F. Powell and Ian N. Carruthers
Cork Gully
43 Temple Row
Birmingham
B2 5JT
Telephone: 021 236 8966
Fax: 021 200 4040
Telex: 337892

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

LISBON PORTUGAL
FOR SALE

Software, Hardware and Services Company in full operation

- Data Processing centre
- Administrative software
- Training centre
- Offices
- Shop
- Warehouse

FREE OF THIRD PARTY RESPONSIBILITIES
NO PERSONNEL COMMITMENTS

Approximate area of 800 sq. metres (three floors)
Contact: Portugal Telefax (01) 526692 - Telex 66113

URGENT REQUIREMENT

Public Company wishes to purchase
"PROPERTY INVESTMENT COMPANY"
(Private or Public)

Immediate response and strict confidence is assured.

Please forward brief details without delay.
Write to Box H5570, Financial Times,
One Southwark Bridge, London SE1 9HL

DIVERCO
Sell Companies Nationwide

SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

THE DUNNING GROUP

In Receivership

For Sale, either separately or in total, the businesses and assets of the Dunning Group of Companies.

Construction

A J Dunning Construction Limited is a substantial regional building contracting business with strong links to traditional contracting, Design and Build and Management contracting.

- Well established business
- Strong management team
- Good reputation for quality work
- Contract value 1989 £40 million
- Several contracts currently in place

Property Development

Interests in commercial, retail, industrial and residential sectors including:—

- Town Quay, a prestigious Southampton waterside development incorporating offices, retail units, catering outlets and a 400 berth marina
- Residential and commercial development sites completed and under construction
- Substantial development land bank with planning permission

Scaffolding

Safety Scaffold Services Limited provides a comprehensive scaffolding hire and contracting service throughout central and Southern England.

- Well established business
- Substantial scaffolding equipment assets
- Experienced management with engineered design capability and support
- Skilled labour force
- Depots in Andover and Fareham
- Turnover £1 million per annum

Specialist Building

A J Dunning & Sons Limited trade as a small works and building repair company mainly in the Hampshire area.

- Reputation for high quality work with Public and Private Sectors
- Skilled Direct and Semi Direct work force
- Highly mobile service
- Specialist in Repair, Refurbishment and New build contracts to £500,000
- Turnover, £3.5 million per annum

Investment Property

The Dunning Group of Companies has a substantial portfolio of investment land and property in central Southern England.

- Residential
- Commercial
- Industrial

Plant Hire

Andover Plant Hire Company Limited provides construction plant and building equipment on a hire basis within central and Southern England.

- Comprehensive workshop facilities
- Diversified fleet of modern operated and non-operated plant
- Fully experienced plant operators
- Specialist tower crane and tipper hire
- Options on large tipping facilities
- Turnover £1.8 million per annum

Undertaking

Dunning Undertaking Limited is an Andover based company providing a comprehensive, professional undertaking service.

- Long established business
- Good local reputation
- Premises and Chapel of Rest available
- Turnover £200,000 per annum

Farming

Sale of farming interests, primarily engaged in arable farming with dairy, beef and sheep units.

- Profitable farming business
- Milk quota
- Seed cleaning and drying plant
- Parcels of farming land
- Can be sold as a whole or in lots

For further details of any of the above contact the Joint Administrative Receivers, Christopher Barlow and Nigel Vooght at the offices of Cork Gully, 9 Greyfriars Road, Reading, RG1 1JG.
Telephone Number: 0734-500336 Fax Number: 0734-607700 Telex: 848588

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

BUSINESSES FOR SALE

Textiles, Manufacturers of Childrenswear, Underwear, Knitwear, Swimwear.

Nottingham: Peeblesshire: Dunstable: Bolton: Winsford, Cheshire: Bridgend: Denton, Manchester: Stoke-on-Trent.

The Business, Business Assets and goodwill of the Oakwood Group, comprising of CoxMoore & Co (Knitwear) Limited, Hodkinson & Gillibrand, Firth and Wilson (Scarborough) Limited, Murray Allan of Innerleithan Limited, C. Victor Limited are offered for sale.

The Companies operate from 7 freehold and 17 leasehold properties.

The Companies employ approximately 1,720, producing an annual turnover of £35 million.

CoxMoore OF ENGLAND

COXMOORE AND CO (KNITWEAR).

Producing high quality mens' knitwear and hosiery.

The company employs approx 420, producing an annual turnover of £6.5 million.

Contact: Richard Saville at the company on:- Tel: 0602 461561, Fax: 0602 722470, Telex: 37291 or the Joint Administrative Receiver Stephen Taylor on: Tel: 0602 419066, Fax: 0602 470862, Telex: 37322.

Murray Allan of Innerleithen

MURRAY ALLAN OF INNERLEITHEN.

Producing exclusive and luxury knitted cashmere garments mainly for export. Murray Allan has become known in the Scottish knitwear industry for its quality, flair for design and colour.

The company employs approx 125, producing an annual turnover of £4.5 million.

Contact: Alistair Dougall at the company on:- Tel: 0896 830631, Fax: 0896 830391, Telex: 727584 or the Joint Administrative Receiver Bill Cleghorn on: Tel: 031 557 2111, Fax: 031 556 2751, Telex: 727575.

CV

SWORDFISH BEACHWEAR.
NELBARDEN INTERNATIONAL.
C. VICTOR.

Manufacturer and importer of swimwear.

The company employs approx 190, producing an annual turnover of £6.5 million.

Contact: Jonathon Astbury at the company on:- Tel: 0582 471650, Fax: 0582 471671, Telex: 261258 or the Joint Administrative Receiver Stephen Taylor on: Tel: 0602 419066, Fax: 0602 470862, Telex: 37322.

JUNITEX

JUNITEX GARMENT.
WILLIAM STANNARD.
TRENDYWEAR MANCHESTER.
JUNITEX GARMENTS (MADHATTER).

Manufactures and sells childrenswear to the major High Street chains.

The companies employ approx 690, producing an annual turnover of £11.7 million.

Contact: Mark Oldfield at the company on:- Tel: 0606 592146, Fax: 0606 592842, Telex: 666917 or the Joint Administrative Receiver David Harrison on: Tel: 061 236 9565, Fax: 061 228 3920, Telex: 666383.

H&G

HODGKINSON AND GILLIBRAND.
FIRTH AND WILSON (SCARBOROUGH).

Manufactures and sells ladies knitted underwear and thermal wear.

The companies employ approx 295, producing an annual turnover of £5 million.

Contact Tim Walsh at the company on:- Tel: 0204 27611, Fax: 0204 383218, Telex: 635648 or the Joint Administrative Receiver David Harrison on: Tel: 061 236 9565, Fax: 061 228 3920, Telex: 666383.

Deloitte Haskins+Sells

KITCHEN COMPONENT DISTRIBUTOR LEICESTER

The Joint Administrative Receivers of P M Hubbard & Co. Limited, a Leicester Company engaged in the distribution of accessories to kitchen and bedroom manufacturers - doors - wood mouldings - edging tape - abrasives, invite offers for the business and assets as a going concern.

Principal features include:
- Turnover approximately £1.3 million per annum
- Leasehold premises of some 8,000 sq ft
- Stock of some £250,000
- Some 500 active customers
- Trade counter

For further information please contact: M.A. Halley, Joint Administrative Receiver.

KPMG Peat Marwick McLintock
Arlen House, Salisbury Road, Leicester, LE1 7QS
Telephone: 0533 471122
Fax: 0533 547626

ELECTRONIC COMPONENT SUPPLIERS NORTH MANCHESTER AREA

The Joint Administrative Receivers offer for sale the business and assets of Bosledge Electronics PLC.

Principal features comprise:
- Long leasehold purpose built factory of appox £1.3m
- Industry approved supplier with valuable franchises
- Over 4,000 product lines
- Annual turnover approx £1.3m

Interested parties should contact the Joint Administrative Receiver: Martin A. Shaw

KPMG Peat Marwick McLintock
City Square House, 7 Wellington Street, Leeds, LS1 4DW
Telephone: 0532 450331 Fax: 0532 435992

Hermetronics plc

The business and assets of Hermetronics are for sale as a result of receivership.

- Assemblers of hermetically sealed packages for the electronics industry.
- Extensive plating facilities.
- Annualised turnover in excess of £750,000.
- Blue chip customer base.
- 12,000 sq. ft. leasehold premises in Slough.

Enquiries to the Joint Administrative Receiver, MD Gercke, FCA, Price Waterhouse, No. 1 London Bridge, London SE1 9QL. Telephone: 01-378 7200. Fax: 01-334 5566.

Price Waterhouse

By Order of the Joint Administrative Receivers
Messrs G W Rhodes Esq FCA and J C Heath Esq FIPA of Messrs Kidsons
Re: Airport Furniture International Ltd

HIGH QUALITY
AIR TERMINAL FURNITURE COMPANY
For Sale
Involved in Design, Manufacture and Supply
Blue Chip Customer Base
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ARTS

1989 was a year of retrenchment in art

For the visual arts at least, 1989 was a year like any other. It followed a regular seasonal rhythm of major shows in the public institutions around which the private sector improvised with its customary flair and spirit.

To change the metaphor somewhat, and take those great museums and galleries as the higher ground, more difficult and certainly expensive to maintain and farm, the year was unremarkable and comparatively unproductive, one of retrenchment and reorganisation rather than of spectacular harvest.

But the valley, with its myriad smallholdings and occasional large estates, is as rich and assiduously cultivated as ever.

The mistake, tempting to make at the turn of the year, is to push the image too far, because the cycle of growth and harvest is not so obviously seasonal as it might be in other fields. A year is really too short a span, as the Turner Prize regularly discovers to its cost as it tries to fix a particular artist's distinction, in the making or presentation of his work, to any particular year.

Do not expect here, therefore, an abstract of what last year meant in terms of definitive trends and shifts in modern art, of remarkable new growths and significant developments.

If 1989 was more typical than significant in general terms, its character was set from its first month, with Gauguin filling the Grand Palais in Paris, and at home the National Art-Collections Fund seeking to publicise its private work of public acquisition through the hospitality of Sotheby's.

The husbandry of our national museums and galleries is not so richly productive as some might wish in comparison with the example set abroad. Whether it is the fault of Government parsimony and ideological indifference or simple mismanagement and incompetence is not here the issue.

I suspect the former, the long-running, knock-about melodrama at the V&A notwithstanding. There we see only the fruit of decades of Ministerial neglect at its rotting worst, but the problem is general. Mrs Esteve-Coll is to be congratulated not least for sticking a peg on her nose and getting on with a near-impossible job. If the stink has now wafted under the proper noses, so much the better.

The Tate lay fallow for the best part of the year, while Nicholas Serota reorganises and re-hangs. So too at the National Gallery, as the Sainsbury extension goes up next door.

Will the extra Government funding, announced recently by Arts Minister, Mr Luce, make some difference? Perhaps, but it is a national scandal that the matter should have come to such a pass. The underlying economy is sound, we are told repeatedly. We hear still of admission charges and de-accessioning and sponsorship and private patronage. Purchase grants stay at present levels while prices, Voyager-like, now whistle past Mars.

Do we hear anything of sensible tax incentives, in-lieu provision against death duties and the proper use of the Heritage Fund? We do not.

What a country! What a people! Canova's Three Graces of Woburn go abroad forever because a Minister has not the whit to see them as integral to the temple, a listed building no less, built at the artist's personal direction to house them.

Or do we do him an injustice: was it simply the Treasury's refusal to countenance a paper transaction and undertaking? The sculpture is infinitely seductive, and a great work of art by any measure.

The 1980s were a decade of great talk of conservation, preservation and "The Heritage," but clearly it was only talk. No doubt we have the civil service we thoroughly deserve.

How different in France. It is hard to imagine President Mitterand entertaining for one moment the thought that such a jewel in Marianne's bonnet should be given away.

Here the long-needed extension to our National Gallery, which houses one of the world's great representative collections of European painting, is being built by private money, and thank God for that. The extraordinary subterranean expansion of the Louvre, with Mr Pei's wonderful glass Pyramid to cap and celebrate it, was always and rightly seen as a great public work, not merely for the public good, but for la Gloire de la France.

Its completion and extended inauguration in a succession of major exhibitions was the principal cultural achievement of 1989, the year of la Bicentenaire. The principal donors, by whose gifts since the Revolution the Louvre's collections have grown, were the subject of the opening show in the early summer. Then came Michelangelo's drawings, and last the great David retrospective, which continues until February 12.

But the Louvre did not have Paris to itself, and the year began for me with Gauguin at the Grand Palais, latest in the magnificent series of definitive studies of the great French painters, that has punctuated the 1980s. And in mid-summer the Council of Europe's major effort was also at the Grand Palais, its study of the European context of the Revolution dense, flawed but fascinating.

It has not been all doom at home. The talk may be of why such major shows seem now to pass London by, but Paris is not so far away. The reality is that if British institutions have some plum to offer, either in exchange or co-operation, the show will follow.

The Royal Academy, independent and with an eye as ever for the main chance and a generous sponsor, always has major treats to offer. It began its year with Italian Art of the 20th century, which was spectacular and revelatory in what it brought to London from the first half of the century, but less convincing in its post-War content. Taking the hint somewhat, Fiat, the sponsors, limited the subsequent and related the showing in Venice to that earlier period, which allowed further and valuable examination of an important subject. The new Accademia Italiana in Rutland Gate opened in midsummer with a most beautiful study of Morandi, one of the major figures in both those survey shows.

Certainly we were not starved of good things. During the year we had Leonardo da Vinci and Andy Warhol at the Hayward Gallery, the sublime and the subliminal; the young Andy and then Ivon Hitchens at the Serpentine; Gauguin and the Pont Aven Group at the RA; the great Bourdelle exhibition in the open air at the Yorkshire Sculpture Park; the Barbican's excellent study of that decided strain of Romanticism that runs through modern British art, and then its survey of Russian art since the 1880s.

Russian Art indeed flooded into London all year, with Roy Miles, as flamboyantly energetic as ever, in its encouragement, and the Thumb Gallery, the Riverside Studios and Ekstein-Mazure among those bringing over interesting work of all kinds.

It will take time to settle and clarify, but the appearance in the West of Russian art of the modern period is a most significant development. The show at Lingotto, the old Fiat works in Turin, covering the period in Russia from the 1880s to the 1920s was for me one of the most interesting of the year.

Any survey of a year must be arbitrary, if not actually unfair, but here are a few of the British artists who distinguished themselves in 1989. Sean Scully and Euan Uglow both had major one-man shows at Whitechapel, and Leon Kossoff is still on show at the Saatchi Gallery. Peter Coker at Gallery 10 and the Fitzwilliam, Mick Rooney at the Mercury, Norman Adams at Gallery 10a and Roger de Grey at the New Art Centre, John Bellany at Fischer, the late Norman Stevens at the Redfern, Elizabeth Blackadder at Aberystwyth and elsewhere, Bridget Riley at the Rowan, David Hepher at Flowers East — any such list can only be too short. Anita Taylor at Berkeley Square, Tom Benson at the RCA, and Mary Maclean at Flowers East and Sandra Higgins' new gallery, all recent graduates, were three young artists who caught my eye.

Bridget Riley's Artist's Eye at the National Gallery was one of the most interesting and distinguished of the series. South Bank touring shows of Paul Nash's Places, and of the work of David Jones were each, in their own way, as delightful as it is possible for an exhibition to be. And to see Hogarth in Venice, where the British Council had sent him on his very first trip abroad, was truly remarkable.

Sad to say, in the deaths of Edward Bawden, Cecil Collins and Robert Buhler, we saw the last of three distinguished painters of an older generation that had for too long been critically neglected. Bawden and Collins lived to see themselves accorded some due recognition at the very last, in major shows at the V&A and the Tate respectively. For Buhler too, who had long enjoyed at least the deep respect of his peers, though it must now be posthumous, that wider acknowledgement is sure to come before too long.

William Packer

The year versus l'année: (top) Andy Warhol's *Ginger Rogers*, shown at the Hayward Gallery, London; (left) Gauguin's *Faatururma (Boudeuse)*, and (above) David's *La Mort de Barra*, both displayed in Paris

Hobson's Choice

SADLER'S WELLS

It's so easy to find fault with David Bintley's *Hobson's Choice*. Funny walks, drunk jokes, gags, music-hall dance routines, mugging, sentimentality, belches and a cry of "By gum!" It doesn't try to make Hobson a dance character — not that it has to. But it ought to make him an important mime character, and it doesn't. The show has no serious depth to make its comedy fly high.

When it was new earlier last year, Sadler's Wells Royal Ballet gave this work in unwieldy two-act form after Balanchine's *Theme and Variations* — a long, lopsided programme which made Bintley's work look corny, long-winded, featherweight. Now *Hobson's Choice* is back in three-act form. So this makes for a more evenly balanced show (the flimsiest act is the second), the ballet feels just as long. It keeps you in the theatre for two hours and a half, and it never affords any of the mundane poetry that Charles Laughton's Hobson found in a puddle. And, trying for the earthiness of Ashton's *La Fille Mal Gardée*, it's merely shallow.

But let's not over-react. *Hobson's Choice* is designed as a crowd-pleaser for lads, dads, mums and kids, and it is vastly superior to the heaps of ballet tosh that are turned out under the aegis of accessibility. Each character, though a "type," is sharply drawn and absolutely distinct. Bintley, like MacMillan in Mayerling, has learnt from Ashton's *Enigma Variations* how to make characters dance convincingly in Victorian attire. There's an unusual amount of gestural mime for a modern ballet, most of it lucid. Through mime and dance alike, characterisations keep consistent. Bintley hasn't deigned to be as cheaply and cheerfully British since *The Triumph of Neptune* 10 years ago — a boon after a decade of his beavering away in more ambitious vein, especially at school-of-Balanchine pure dance neoclassicism. Amid Maggie Hobson's starched business sense, her sudden admission of erotic need is touchingly managed. Hayden Griffin's detailed designs and Paul Reade's tuneful score support the action admirably. If only Bintley had boiled *Hobson's Choice* down into one terse act.

It's widely thought, however, that the public — especially the Sadler's Well's ballet public outside London — wants three-acters, and this is Bintley's third. And throughout the ballet he caters to popular taste with pat, cosy stereotyping. I saw new matinee cast this season. Bonnie Moore caught Maggie's sharpness and expansiveness, and, as her boot-hand husband, Vincent Redmon, a talented demi-character artist, was as adorable as the choreography would permit. Bintley seldom brings off a climax well. In one of the ballet's few false moments, Maggie yawns with tiredness at the climax of her wedding night duet. This doesn't ring true as drama or dance, but it's cute and snug. And there's this Lancashire ballet for you. No reason why it should be a ballet at all, but no reason why anyone who enjoys *Last of the Summer Wine* should not lap this up.

Alastair Macaulay

Vakula the Smith

RADIO 3

When Russian musicians create confusion they do it on a grand scale. For his third opera, three years before *Onegin*, Chaikovsky chose a Gogol story, *Christmas Eve*. Given as *Vakula the Smith* at St Petersburg in 1876 it was later revised as *Cherevichki* (The Little Shoes). Rimsky-Korsakov, who also wanted to set the story, waited until after Chaikovsky's death to produce his *Christmas Eve*. That is not all — *Cherevichki* is sometimes known as *Oxana's Caprices*, while the BBC broadcast it some 20 years ago as *The Empress's Shoes*. All these changes induce a certain weariness not entirely dispelled by either of the versions of the Chaikovsky setting I have heard — Radio 3 broadcast *Vakula the Smith* on Saturday, with the BBC Philharmonic and the Opera North Chorus under the expert direction of Edward Downes.

This was said to be the first time the original *Vakula* had been heard since Petersburg. It sounded thoroughly well prepared. Clearly the language coaches had done their work with a will. But why English? The pawky, witches-eye narrations, persuasively spoken by Patricia Routledge, would have set the scene well enough for an English translation of the libretto — as it was, one wondered now and again, in a plot which includes a broomstick ride from Ukraine to Petersburg and back, "where are we now and who is singing?". Good things, charming things, flit by especially in Act 3, but they hardly leave definite impression.

Chaikovsky's visit to Bayreuth failed to turn him into a Wagnerite but made him uneasy about writing Italianate "number operas". The obligation to be up-to-date seems to have numbed him into some pages of untypical ambling. The usual Chaikovskyan fleetfootedness is missing. Rhythmic vivacity doesn't make up for lack of contrast of speed and mood. One begins to wonder if, in the great ballets, we don't owe the tyrannical choreographer Petipa more than we think. In his later versions Chaikovsky lightened the orchestration. Downes ensured that the voices were not covered, but the scoring rarely has the frosty rime that makes the ballets so exhilarating.

The gusto and vivid diction of Anne Collins as the witch was ably backed by Donald Maxwell's comic devil. The young lovers, Vakula the village blacksmith and the petulant Oxana who whines for (and gets) a pair of the Tsarina's slippers, were sung by American visitors. David Bender's compact tenor suited the music. Susan Roberts expressed Oxana's caprices with convincingly Slavonic plangency. Good supporting cast, splendid chorus.

Next time they plan a Russian fairy-tale Christmas treat would Radio 3 please chose Glinka's *Ruslan and Lyudmila*, crazily episodic, leaping outrageously from style to style, but bursting with extraordinary invention — just the kind of opera to dismay the pompous and the stuffy. More importantly, *Ruslan* has the sharp focus, the whiplash quality, Chaikovsky largely missed in *Vakula*.

Ronald Crichton

Hansel and Gretel

COLISEUM

Justly proud of their 1987 version of Engelbert Humperdinck's evergreen piece, the English National Opera have revived it for an intensive holiday run. Four different principals are taking turns. Of the cast I heard on Saturday, only the Dew Fairy (Janis Kelly) and the Sandman (Maureen Brathwaite) were among the cast seen in yesterday's televised performance. But for Miss Kelly, in fact, my lot — along with the conductor James Holmes — were all new to the production; it was impressive testimony to ENO's standards of preparation that one would never have guessed.

Though David Pountney's staging exuberates in one of Stefanos Lazaridis' most fantastical sets, the four central figures must still carry unstinting dramatic weight. Four, not five, because the Mother and the Witch are the same person here: this is one of Pountney's knowing psychotherapeutic treatments. Yet the literal story isn't weakened or obscured, and the extra touches of visual comedy enhance what can easily seem a treacly affair in more "faithful" handlings. There is a modern, lovingly detailed working-class kitchen, which heaves up from the depths of the stage after the spectacular initial tableau (a village-ful of cottages twinkling under a starry sky), and reappears later with gingham trimmings as the Witch's lair.

The sinister wood is a park with meths-swigging derelicts, Sandman and Dew Fairy among them; the Fourteen Angels of the children's night-time vision prove, charmingly, to be familiar village personages — milkman, postman — in dreamlike vision. (The tender idyll probably had more of the audience delving for hankies than the traditional wings and haloes ever did.) Near the end, the "dead children" released from the Witch's power are a macabre sight as they grope blindly from the earth, but the final singing and dancing is cheerfully restorative.

Maria Moll makes as airily vicious a Witch (in bright, frilly pink) as she is a down-to-earth Mother, sorely tried but sympathetic. Donald Maxwell's Father is a disarming scapegrace, over-partial to gin. Christine Botes and Alison Hagley are splendid as Hansel and Gretel, wonderfully natural and scruffy without stage cuteness — and like the others (not forgetting Miss Kelly and Miss Brathwaite), they sing very well. Holmes did adequate justice to the Wagnerian moments of the score while keeping them safely under control. An enchanting evening.

David Murray

Cinderella

PLAYERS AT THE DUCHESS

The best panto has to be the one you see when you are five: after that you become a critic. But anyone feeling the need for a panto (until late January) but wanting to keep their illusions intact could do worse than visit the Players, operating from the Duchess Theatre in Covent Garden.

The seasonal speciality of this club (which for the rest of the year indulges in an orgy of music hall pastiche) is the recreation of a Victorian panto, keeping as much of the original script as a modern audience will stand for. This year Mr H.J. Byron's production of *Cinderella* for the Royal Strand Theatre in 1860 has been dusted down, and the result, as ever, is a pantomime quite free of contemporary commercialism.

For the music the director Reginald Woolley has, in the tradition of panto, taken liberties, raiding the repertoire of Donizetti and Meyerbeer, Balfe and Blewitt (those two copied from the programme), among others, to give the panto a Victorian sound. The original music would have been the popular hits of 1860 — which makes nonsense of the complaints of those who criticise modern pantos for weaving in the latest from Kylie Minogue.

The result is a delight. The dialogue is presented in rhyming couplets, which, along with heavy punning, take the place of jokes. Both literary forms have a diminishing appeal but the production moves at such a pace that there is little time to get either bored or irritated. And, wisely, Woolley has drenched the panto in music which is superbly sung.

Cinderella (Fiona Firth-Spiller), obviously delighted to get the chance to sing that famous museum piece "I dreamt I dwelt in marble halls", caps a melodic performance with some unbridled coloratura. The Prince (Nelly Morrison), a very fine figure of a girl, is her musical match, her voice both strong and sweet. John Rutland, as Baron Balderdash, is a natural Gilbert & Sullivan patter-man.

This is a very light hearted Cinderella. the villain, Dandini (Carol Carey) in this version, hardly justifying a hiss, presumably because of cuts to the original. So we get a musical romp, with good clowning by Jim McManus as an ugly sister, which races through the traditional plot and sends everyone home happy.

Before the panto there is half an hour's community singing of music hall favourites which might slowly unfreeze the uptight but then might not.

The Players is an attractively oddball club. I look forward to visiting their new theatre, hard by to the traditional home at Charing Cross, which opens on February 23.

Antony Thorncroft

Renaissance on tour

The Renaissance Theatre Company will present *King Lear* and *A Midsummer Night's Dream* in repertory on a world tour in 1990, to include stagings in Tokyo, Los Angeles, and Belgrade, among other cities.

Both plays will be directed by Kenneth Branagh, with design by Jenny Tiramani and lighting by Jon Linstrum.

ARTS GUIDE

December 29-January 4

MUSIC with OPERA and BALLET

London

London Symphony Orchestra conducted by John Georgiadas in a Viennese evening with music by Stauss and Lanner. Barbican Centre (Mon, Tues) (638 8891)

Paris

Kathryn Harries (soprano) with Michael Pollock (piano). Auditorium des Halles (Tue) (40282828). **Baroque Music** — around Monteclair's cantatas with William Christie as conductor and harpsichord soloist (Thur). Auditorium des Halles (40282828)

Amsterdam

Rotterdam Philharmonic Orchestra conducted by Valeri Gergiev, with Mstislav Rostropovich (cello). Prokofiev, Shostakovich (Thur). Concertgebouw (718345).

Frankfurt

Variete Roncalli by Bernhard Paul (all week). Alte Oper.

New York

New York Philharmonic. Zubin Mehta conducting with Pinchas Zukerman (violin). Haydn, Neikrug, Sibelius (Thur). Avery Fisher Hall (874 6770)

Washington

National Symphony. Craig Fleisher conducting Stravinsky, Mozart, Beethoven (Thur). Kennedy Center Concert Hall (467 4600)

Chicago

Chicago Symphony. Stuart Challender conducting with Stephen Bishop-Kovacevich (piano). Meale, Beethoven, Strauss, Grainger (Thur). Orchestra Hall (435 8666)

Tokyo

Wiener Volksopera Orchestra and soloists conducted by Edgar Seipenbusch. Strauss, Lehar. Suntory Hall (Mon-Thur) (505 1010)

Wiener Johann Strauss Orchestra, conducted by Alfred Escher. Strauss. Bunkamura, Orchard Hall (Thur) (4081290).

London

Royal Opera, Covent Garden. The revival of *Der Freischütz* brings back to Covent Garden the production's original conductor, Colin Davis, and leading tenor, René Kollo; the cast also includes Karita Mattila, Judith Howarth, and Hartmut Welker. **English National Opera**, Coliseum. The 1987 David Pountney magical production of *Hansel and Gretel*, a triumph of intelligent modern operatic rethinking, reassembles most of the original team — Mark Elder (conductor), Ethna Robinson and Cathryn Pope in the title roles, and Felicity Palmer and Norman Bailey as the parents. Further performances of Richard Jones's witty, deadpan, offbeat production of Prokofiev's *Love for Three Oranges*.

Ballet. At Covent Garden, Ashton's *Cinderella* is revived (Tues and Thur). At Sadler's Wells two good triple bills can be seen. At the Royal Festival Hall, English National Ballet continues to purvey its undistinguished version of *Nutcracker*.

Paris

Théâtre des Champs Elysées. The Bolshoi Ballet School is followed by Leningrad's Boris Eifman Ballet Theatre with *The Duel* and *Figaro*, both choreographed by Boris Eifman (47203637).

Salle Pleyel. Budapest Symphony Strauss Orchestra conducted by Istvan Bogar accompanies the Sopianae Ballet (45638873).

Théâtre de la Ville. Wim Vandekeybus and Thierry de Mey, members of the Flemish *nouvelle vague* arrive with the premiere of *Les Poids de la Main* (42742277).

Amsterdam

Muziektheater. The National Ballet in *The Sleeping Beauty*, choreographed by Peter Wright, with soloists for the New York City Ballet. Compagnie Maguy Marin in the Dutch premiere of *Eh, qu'est ce que ça m'fait à moi?*

Brussels

Théâtre Royal de la Monnaie. The Monnaie Dance Group — Mark Morris in *Stabat Mater, Love, You Have Won* and *Marble Halls*. Philippe Herreweghe conducts the Ghent Collegium Vocale orchestra.

Berlin

Opera. *Samson und Dalila* in Gian Carlo del Monaco's production with Marjana Lipovšek, Wladimir Atlantow, George Fortune, conducted by Jesus Lopez Cobos. Beethoven's 9th symphony with Pilar Lorengar, Kaja Borris, Peter Seiffert and Julien Robbins. Further offered *Hänsel und Gretel, Orpheus in der Unterwelt* and *Rigoletto*.

Hamburg

Opera. *Eugen Onegin*, sung in the original language, has a strong cast led by Olive Fredricks, Katalin Pitti, Daphne Evangelatos, Wolfgang Brendel and Hans Peter Blochwitz. *Don Pasquale* is a well done repertoire performance. *Die Frau ohne Schatten* features Carmen Reppel, Julia Juon, Helga Dernesch, Robert Schunk and Harald Stamm.

Cologne

Opera. *La finta Giardiniera* has fine interpreations by Michael Myers, Teresa Ringholz, John la Pierre, Janice Hall, Andrea Andonian and Darla Brooks. *Die Zauberflöte* is sung by Susan Burghardt, Teresa Ringholz and Dieter Schweikart. *Die Fledermaus* returns.

Bonn

Opera. *Aida* is sung by Alessandra Marc, Diane Curry, Lando Bartolini, Giorgio Zancanaro and expertly conducted by Dennis Russell Davies. *Der Nussknacker* has wonderful Youri Vamos choreography. Udo Zimmermann's performance of his opera *Die wundersame Schustersfrau* has a strong cast led by Maria Hussmann, Rolf Haunstein, Brigitte Lindner and Christine Obermeyer.

New York

Metropolitan Opera. Nello Santi conducts the first seasonal performances of *Turandot*, with Gwyneth Jones in the title role, Aprile Millo as Liu, Vladimir Popov as Calaf and John Macurdy as Timur. Hermann Michael conducts *Die Fledermaus* with Karen Huffstodt as Rosalinde, Brigitte Fassbaender as Prince Orlofsky and Richard Drews as Alfred. James Levine conducts *Wozzeck* with Hildegard Behrens, James King and Graham Clark. Performances continue of August Everding's new production of *Der fliegende Holländer*, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. Lincoln Center Opera House (362 6000). **New York City Ballet.** The mixed repertory resumes with performances of *Dances, Echo*, and *Movements*. New York State Theatre, Lincoln Center (870 5570).

Washington

Washington Opera. Performances resume with *The Merry Wives of Windsor* with Kenneth Cox as Falstaff and Sheryl Woods as Mistress Ford, conducted by Fabio Mechetti in Leon Major's production. Eisenhower (467 4600).

Chicago

Lyric Opera. Barbara Daniels is Rosalinda and Neil Rosenshein sings Alfred in director Giulio Chazalettes's new production of *Die Fledermaus* conducted by Julius Rudel. Lyric Opera (332 2244).

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Decade of democracy

"LIBERTATEA," THEY CRIED on the streets of Bucharest, at the close of a year the like of which Europe has never seen, not even in 1848. This word, the "libertas" of republican Rome, brought 1989 to its glorious climax. With the bloody uprising against Ceausescu, the totalitarian epoch in European history, begun by Lenin in 1917, has virtually ended, with Albania the sole, unabashed survivor.

What is more, it is Lenin's successor, Mikhail Gorbachev, who has been midwife to this rebirth of liberty. Yet, 10 years before, on Christmas Eve 1979, Mr Gorbachev's despised predecessor, Leonid Brezhnev, authorised the invasion of Afghanistan. Within just a decade the Soviet Union has come full circle. Ten years ago it intervened bloodily to save an unpopular Communist tyranny in Afghanistan; now it has supported the overthrow of an equally unpopular Communist tyranny in Romania.

The invasion of Afghanistan provided a dismal end to a dismal decade. In the 1970s, it was the industrial democracies that were often judged ungovernable. The 1980s, by contrast, have been the decade of democracy. For what has happened in eastern Europe, however remarkable, has not been an isolated event. Democracy was restored to Argentina in 1983. In 1986, President Marcos of the Philippines was overthrown by "people power", amidst scenes that were to be repeated throughout eastern Europe in 1989. Then, in 1987, the Republic of Korea enjoyed relatively free presidential elections.

Apart from the events in eastern Europe, 1989 – a true *annus mirabilis* – also saw the first fairly genuine elections in the Soviet Union and Taiwan, the restoration of democracy to Chile and Brazil and a peaceful transition from the Nehru dynasty in India, the world's most populous democracy. In Japan popular outrage over corruption shook the Liberal Party's oligarchs. Of the world's major powers, China alone resisted the tide, but the "victory" in Tiananmen Square may yet prove Pyrrhic.

If the 1980s have been the decade of political liberty, economic freedom has not been far behind. The 1970s were a "decade of disorder," the title of an editorial published by the Financial Times on December 29, 1979, which noted that "there is certainly a greater danger than at any time since the 1930s of a retreat from liberalism of every kind." But, it continued, "this fear can easily be overdone."

Faith in markets

It could indeed. This was the decade of "Thatcherism" and "Reaganism," of renewed faith in markets, and of seven years of sustained growth and moderate inflation in the industrial democracies. Nor was the success that follows from reliance on markets restricted to advanced countries. It was also seen in the dynamic economies of east Asia and, more haltingly, in the fruit of economic reforms in India and China. Even in Latin America, Chile managed to rise above the gloom of the "lost decade" and prosper.

The 1980s may have been the decade of democracy and economic liberalisation, but they have also been that of debt. The dire consequences of the 1970s have marked most deeply those countries of Latin America and Africa that borrowed on the back of high commodity prices – *including for oil. In the 1980s, their profligacy has been* savagely punished by weak commodity prices and high real interest rates. In too many of these countries tentative efforts at reform have been balked by the size of their problems and the populism of their politics.

If political and economic freedom have been the warp of the 1980s, populism is a coarse weft that weaves a poor quality fabric. But there are finer threads as well. It is no accident that all the industrial democracies are market economies or that the fledgling democracies of eastern Europe have the same aspirations. The market economy is not only a source of prosperity and an element of freedom, but also the foundation of democracy. The market protects the state from civil society and vice versa. Without that separation, democratic politics come to resemble civil war.

Democracies crumble when the state encroaches too far on the market, as it has in countries like Argentina and Brazil. In Chile and Turkey, the same tension led to the restoration of the market through dictatorship. Yet authoritarian, market-based economic development carries the seed of its own destruction. A prosperous society will, in the end, demand political as well as economic freedom, as has been shown in Spain, in Chile and in South Korea.

For all the success of the 1980s, much remains to be done in the 1990s. In many developing countries, in eastern Europe and in the Soviet Union as well, working market economies now have to be established to underpin the stability of their new democracies.

The industrial countries have a leading role to play in securing these further changes. First and foremost, they must preserve the liberal exchange of goods, services and capital that makes up the global market economy. Further liberalisation of trade is a central task for the 1990s – for 1990, in fact, which is when the Uruguay Round of multilateral trade negotiations is expected to be completed. Equally important will be the preservation of monetary stability, whatever the short-run costs.

Swimming in wealth

But more is required of the developed countries than this. In the 1980s the US became the world's main borrower, while developing countries transferred resources to their creditors. Like misers, Americans have become obsessed with their poverty, while swimming in wealth. One consequence has been their deep suspicion of all objects of public charity.

In consequence, the burden of international assistance falls increasingly on Japan and western Europe. Unhappily, the conventional wisdom now is that aid is wasteful, but this is untrue. The art is to aid those who want to make decisive changes, not to buy the acquiescence of those who do not. When a suitable object is found – as now in eastern Europe – then assistance must be more than a drip-feed. It must be large enough to secure a cure.

In short, during the 1990s the industrial democracies face two challenges: first, to sustain their economic and political co-operation, despite the weakening of the external political threat and, secondly, to aid those with democratic aspirations to make the economic changes, without which their reforms will falter. Nor can assistance to the Soviet Union be excluded, for the entire world has a stake in Mr Gorbachev's success, however improbable it is beginning to look.

George Orwell concluded his classic, 1984, with a despairing vision of a broken Winston Smith in love with Big Brother. History may not be at an end, but that nightmare at least must be. The notion that human beings are infinitely malleable has been tested to the limit by communism – and proved false. In country after totalitarian country, young people who have known nothing but the big lie have risked their lives for the truth. This is the deepest lesson of 1989. In the 1990s, those who have lived in peace and freedom must not fail those who have stood the test of totalitarianism – and won.

OUTLOOK 90

Brighter prospects after gloom

Alan Budd analyses Britain's economic outlook, and argues that a recession seems unlikely in the year ahead

"THE HARSH TRUTH is that if the policy isn't hurting, it isn't working." Those words of Mr John Major, the Chancellor of the Exchequer, provide a suitably wintry text as one considers economic prospects for 1990. It seems increasingly clear that the policy is hurting, though one must distinguish between the pain from bumping one's head against the ceiling and the pain from hitting the floor.

The problem with the British economy is that demand grew far too rapidly in 1987 and 1988, and was still strong in the first half of 1989. Industry rose gallantly to the challenge and produced a remarkable growth of output, but the strains began to appear in the form of capacity limits and shortages of skilled labour.

The most acute pain is felt by those businesses that expected growth to continue at the heady rates of the past few years. For example, the current level of retail sales reflects the exceptional, and unsustainable, growth of spending since 1986. But that may be little comfort to a retailer who expanded his capacity in 1989 in the hope that growth would continue at those rates.

With the wisdom of hindsight it is easy to list the policy errors that led to the UK's present difficulties. The most important was the failure to realise that the combination of financial de-regulation and favourable economic conditions would lead to an unprecedented growth in personal borrowing and consumer spending. That error can certainly be excused. It is almost impossible to predict how individuals will respond when completely new opportunities become available to them. Who could have expected that de-regulation and increased competition in the mortgage market would raise personal borrowing to the point at which its ratio *to income is higher than that in the United States?*

Unfortunately, other policy changes, including the reductions in interest rates in early 1988, added to the problems. But Britain has now had very high interest rates for over a year. Their effect on retail spending has been dramatic. The fear is that the slowdown in consumer spending will be followed by a slump in capital spending leading to a severe recession in 1990.

The risk is there, but a recession seems unlikely. Certainly the UK will not experience a recession on the scale of 1974-75 or 1980-81. On those occasions, there were world-wide recessions. This time, even if the US has a weaker year, there will be strong growth in Japan and Continental Europe.

In 1975 inflation was more than 25 per cent; in 1980 it was over 20 per cent. Today's problem seems modest by comparison. In 1980 there was the extra difficulty of the rapid rise in sterling. Finally, average earnings are likely to rise by at least 2 per cent in real terms in 1990. Unless there is a dramatic rise in unemployment the growth of real incomes should ensure that consumer spending is at least held at its current level.

The Treasury is forecasting that there will be no increase in domestic demand in 1990. Consumer spending, fixed investment and government consumption are expected to grow, but demand will be held back by destocking. However, GDP is expected to grow by 1 per cent thanks to an improved trade balance.

Our view is close to that of the official forecasts. Consumer spending is projected to rise by about 1½ per cent. Total fixed investment is expected to rise by about 3½ per cent, with manufacturing investment rising by about 3 per cent. Investment in dwellings is expected to fall by 4 per cent. We expect stock levels to fall.

We share the Treasury's view that the trade balance will help to boost the economy in the year ahead. The performance of exports was the great success story of 1989. Exports of goods, excluding oil, were about 11 per cent higher, in real terms, than in 1988. That was the best performance since 1976. We expect total exports to rise by more than 8 per cent in 1990. The slower growth of domestic demand should cut the growth of imports to about 3½ per cent. The current account deficit should fall to about £15b in 1990.

That outlook suggests a marked change from the boom of 1988, when domestic demand grew by over 7 per cent. GDP (excluding oil) is likely to grow by about 1½ per cent, and it is probable that unemployment will start to rise later in the year.

There will be pain, but will there be gain? The whole point of tightening policy is to cut inflation. In an ideal world the policies would work directly without affecting output – *but in practice it is inevitable that the* growth of real demand must be slowed down. The hope is that weaker demand will bring down inflation, first by squeezing profit margins and then by slowing down wage increases. The question is whether prices, and then wages, will respond. At the risk of complacency it can be said that, while the problem of bringing inflation down is difficult, it should not be insuperable.

Producer prices in West Germany are rising at an annual rate of about 3¼ per cent. In the UK the rate is about 5 per cent. The discrepancy is far smaller than that between rates of retail price inflation, partly because of the rise in the mortgage rate. The inflation rate in manufactured goods in West Germany is also likely to accelerate – in spite of the appreciation of the D-Mark – and German employers face some UK-sized pay claims.

As the charts show, producer prices in the UK have been rising at a steady rate of between 4 per cent and 6 per cent since 1983. We failed to take advantage of the fall in oil prices in 1986 – in effect we paid all the benefits out in higher wages. In recent years, producer prices in West Germany have risen towards the UK inflation rate.

The second chart shows that the stability of producer prices in the UK has been maintained despite wide fluctuations in both input prices and unit wage costs. It is true that unit wage costs are now rising more rapidly because pay settlements are accelerating and productivity growth is slowing down; but the main effect, as the growth of domestic demand slows further, is likely to be on profit margins. This view is supported by the latest CBI survey.

That suggests that by the end of 1991, the UK's inflation rate for manufactured goods will be close to that of its European competitors. However, there will be one important difference. Inflation at that rate will only be possible if demand is kept deliberately weak in the UK, and that in turn will require high interest rates. The true test of whether Britain can join the Exchange Rate Mechanism of the European Monetary System is not only whether the UK can match the inflation rate on the Continent but whether it can do so if its interest rate is closer to the EC level. That may take rather longer.

We expect retail *price inflation to* be about 6 per cent by the end of the year. The actual figures will depend partly on whether there is any cut in the mortgage rate in 1990. We are forecasting that base rate will be cut to 14 per cent in the course of the year; but at best that is only likely to involve a cut in the mortgage rate of ½ per cent.

The policy dilemmas that will face Mr Major during 1990 were well illustrated by the economic statistics published in December. For example, the batch produced on December 14 showed that the growth of manufacturing output had slowed down and that unemployment was falling at a slower rate. It also showed that earnings were accelerating, mainly because of higher pay settlements. Labour costs per unit of output were also accelerating because the growth of productivity was slowing down. That is what one would expect at the end of the boom – inflation accelerates and cost pressures increase as growth slows down.

Does the Chancellor respond to the signs of accelerating inflation or to the signs of slower growth? In principle it is leading indicators rather than *lagging indicators that matter, but it* is a brave man who relaxes policy while inflation is still accelerating.

The most difficult policy issue, at least until the UK becomes a full member of the EMS, will be the role of the exchange rate in the conduct of monetary policy. Like Mr Lawson, his predecessor, Mr Major has said that he favours a firm exchange rate, yet within a few weeks of his becoming Chancellor there was a fall of more than 5 per cent in the value of the pound against the D-Mark – although there was little change in the sterling to dollar rate. The fall in the effective exchange rate during 1989 was over 11 per cent. Is that good news or bad news?

The most optimistic interpretation of the rise and fall of sterling since late 1986 is that it is an efficient market response to the boom. While the rate rose it provided the mechanism through which additional resources were transferred to the UK. The alternative would have been more rapid inflation. On that argument, the Government was wrong to have prevented sterling from appreciating further during 1987 and 1988. Now that the boom has ended, the argument suggests, it is perfectly sensible to fall back.

But has the fall gone too far? If we take the depreciation of sterling against the D-Mark since October 1989, is there not now a serious risk that firms that sell products in Europe will rapidly raise their sterling prices by another 5 per cent and that this will feed back to pay and prices in the UK?

The answer will depend on whether demand conditions are sufficiently weak in domestic markets to hold *down prices at home. The balance of* evidence increasingly suggests that this is so. Apart from the indicators which show what is happening to demand and output, the leading indicators also point to a further slowdown. Narrow money (M0), the Government's preferred monetary indicator, has slowed, as have broader measures of the money supply.

Thus, Mr Major may have been right to let the exchange rate fall rather than raise interest rates. But that does not mean that he can ignore it. Whatever the arguments about the role of the exchange rate, the following statement can be made with confidence. A policy that allows the exchange rate to fall will be more inflationary than a policy that does not. If Mr Major is serious about bringing inflation under control he will be reluctant to let the exchange rate fall further.

Concentration on the serious short-term problems that the UK economy is facing should not obscure the great successes that British industry has achieved in recent years.

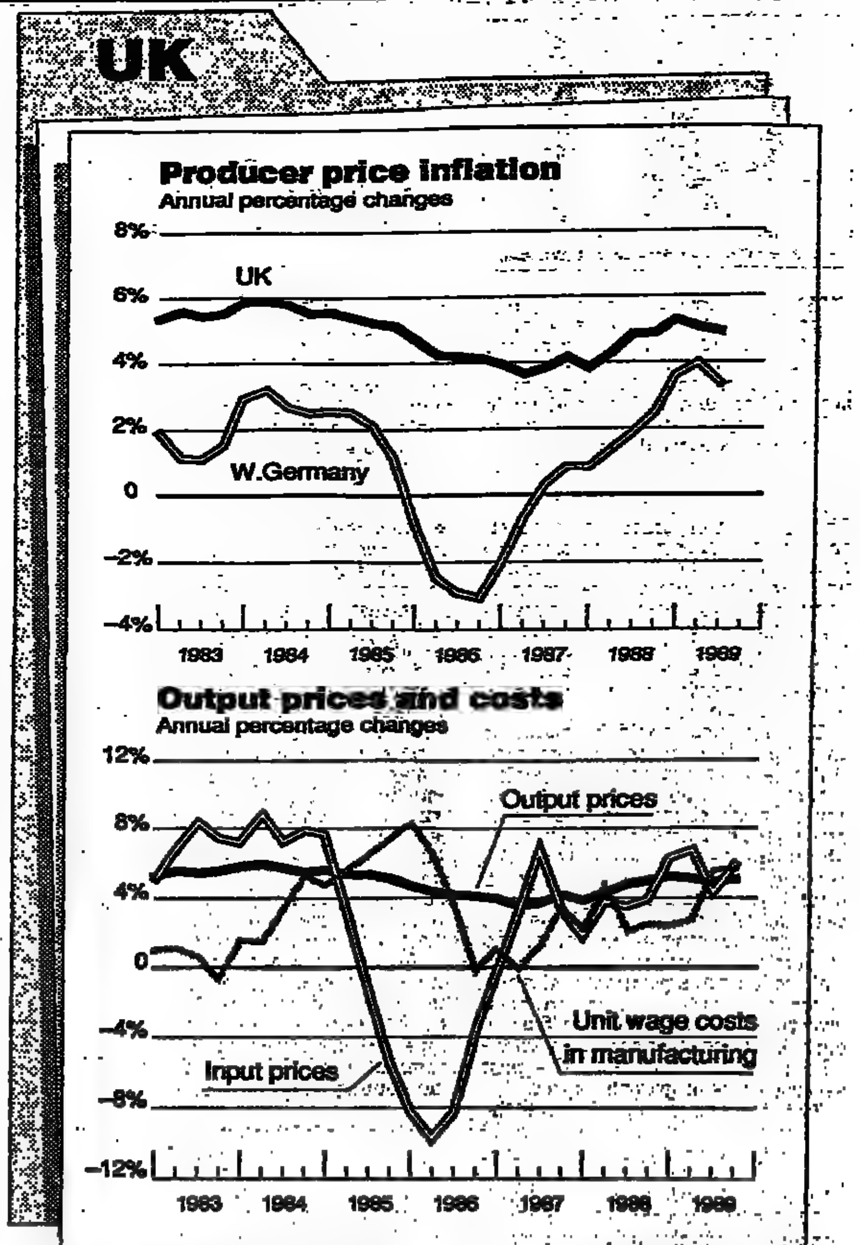
Once the problems of excess demand have been solved, the economy should be able to revert to growth of about 3 per cent a year with an inflation rate that matches that of its Continental competitors. The over-rapid growth of 1987 and 1988 requires a period of adjustment. The process started in the second half of 1989 and will continue during 1990. But by the end of the year the prospects should be distinctly brighter.

Alan Budd is Economic Adviser to Barclays Bank.

Forecasts for West Germany and Japan will appear tomorrow.

UK ECONOMIC FORECAST (annual % change)

	1989	1990
GDP	2.1	1.8
Non-oil GDP	3.2	1.4
Consumers' expenditure	3.9	1.4
Fixed investment	6.7	3.7
Export volumes (goods & services)	6.0	8.5
Import volumes (goods & services)	10.3	3.4
Retail prices (Q4)	7.6	6.0
Current account (£bn)	-20.8	-14.7



Fallacy of the big idea

■ Britain's Labour Party seems to me to have entered the new year with considerably better prospects than most people are admitting. The Party has been in the lead in the opinion polls far enough and long enough for it to be quite hard to overtake, and there is no obvious good news on the horizon for the Government.

Why then the general reluctance to admit that Labour is in with a strong chance? One of the reasons is that Mrs Thatcher's administrations have been in mid-term trouble before and have recovered to win the subsequent general election. But that is an extraordinary extrapolation. There is no rule saying that past trends must repeat themselves. On the contrary, there is a much safer rule of thumb which suggests that eventually the pendulum swings. The tricky question is when.

A more fashionable reason advanced by commentators is that Labour under Neil Kinnock has yet to develop its "big idea". Yet that idea is based on the assumption that big ideas win elections and that parties remain in opposition till they find one. There is no evidence for that. It is not even demonstrable that Mrs Thatcher won on a big idea in 1979. Her platform then was not much different from Tory platforms over the years since 1945. Ideas like privatisation came later.

The same is true of other countries. The Social Democrats did not reach government in West Germany in the 1960s because of a particular idea, but because people were growing tired of the Christian Democrats and the Social Democrats had made themselves respectable. They had, in fact, borrowed many of the Christian Democrats' clothes, but wore them with a different style.

Equally, François Mitterrand defeated President Giscard d'Estaing in France in 1981 largely because much of the electorate was fed up with Giscard. So far as Mitterrand had big ideas at the start, they turned out to be bad ones.

It could be the same with Labour. The last thing the party needs now is a big idea, and one doubts if the electorate would believe the shadow cabinet if it claimed to have produced one.

OBSERVER

Genteel

■ At least one of our national newspapers refuses to accept the word "died" in announcements in its deaths columns. That may explain some of the euphemisms which appear in its place, though it seems to me a peculiar form of censorship. The explanation given by the newspaper is that since the column is headed "Deaths", the fact that someone has died is self-evident. It would be more convincing if the rest of the paper's columns were governed by such discipline. In that way, a lot of tautologies and repetitions might be avoided.

Censorship

■ On the subject of censorship, it will be a long time before the BBC can be forgiven for refusing to show the death scene of the Ceausescus on the screen. It has always been the case that there is potentially far more violence in news programmes than in fiction. Yet once it was accepted that there should be some form of censorship of fiction under a committee of eminent persons like Lord Rees-Mogg, it became all too likely that there would begin to be a censorship of fact.

That has now happened. The execution of the Ceausescus was a piece of history. I should have liked to see it for that reason alone, just as I should have liked to see documentary evidence of the French Revolution, had there been television at the time. No-one would have been obliged to watch it and for someone to say that it was unsuitable to be shown could set a very dangerous precedent.

"That's my bleeper – I must be needed somewhere."

Nature note

■ A tropical love nest is drawing excited crowds in a rural English setting. Visitors to the Slimbridge wildfowl centre in Gloucestershire are watching eagerly as a humming bird sits on two eggs in a tiny nest, made of wool and hair, on the end of a hibiscus branch.

The mother-to-be is a second-generation Slimbridge bird, having hatched in the tropical house nearly 18 months ago. Humming birds do not have a seasonal breeding pattern as they live in the tropics, and at Slimbridge they breed once the English summer is over. But because of the very hot July and August they did not start courting until quite late last year.

The happy event is expected in the first half of January, but it will be another three or four months before they gain their brilliant plumage – once plundered to adorn ladies' hats.

Cadastral

■ Clarion call from the January issue of Lloyds Bank Economic Bulletin: "It is time to initiate a cadastral survey of the UK, another Domesday Book," the Bulletin demands. "A new Domesday Book would be a fitting way to commemorate the year 2000."

The article throws up some intriguing facts. For example, between 1979 – the year when Mrs Thatcher became Prime Minister – and 1987, the amount of UK farmland owned by the central government doubled from 3½ per cent to seven per cent. Central government includes the Crown, the Forestry Commission and the Ministry of Defence. No reason has ever been given for this rise, which seems odd in an era of privatisation.

Also, in the 30 years to 1979, farmland was an exceptionally good investment. The trend changed in the 1980s, but towards the end of the decade its worth began rising again. There is no obvious agricultural explanation. The guess must be that land is being held and acquired for its future development potential.

We would know more about this, the Lloyds Bank Bulletin says, if the Government had not cut back on its statistical services. Incidentally, a cadastral survey is one which shows the precise measurement, value and ownership of every plot of land in the country and serves as a basis for taxation. Just like the Domesday Book.

Seasonal

■ Sign in a Surrey garden centre: "A Happy New Year to all our Weeders."

OUTLOOK 90

Sometimes, there really is a wolf

Lawrence Summers looks at prospects for the US economy in the coming year and beyond

The current US recovery has now celebrated its seventh birthday, having survived unprecedented currency gyrations, one and a half stock market crashes, and budget and trade deficits which led many observers to predict its early demise.

Just as at the end of the 1960s, sustained growth has led people to believe it can continue indefinitely. The majority of American forecasters do not expect a recession to begin within the next year, and a number do not expect a recession to begin even by 1992. The increasingly optimistic tide of opinion extends beyond the near-term outlook to relative serenity about the budget and trade deficits and America's competitive prospects.

The optimists could be right, as they have been in the recent past. But the American economic performance faces dangers over all horizons. In the short term, as sector after sector turns weak, there is about an even chance that the recovery will not see its eighth birthday. In the longer run, the twin deficit problem could mean a very hard landing at any time, and structural deterioration in America's competitive position continues. After a decade of debt-financed growth, the outlook for the US economy is much bleaker than those who naively extrapolate the past several years of growth expect.

The consensus view is that the economy will grow at an annual rate of between 1.5 per cent and 2 per cent from the fourth quarter of 1989 to the fourth quarter of 1990.

Justifying even the relatively low consensus growth rate by adding up the components of demand is difficult. For the first time since 1982, all sectors of the economy might weaken simultaneously:

● Rapid increases in export demand which propelled the economy during 1987 and 1988 are just about exhausted, as the full effects of the dollar's 1985-87 depreciation have now worked through, and the currency's recent strength (in real terms, the dollar is now up nearly 25 per cent from its 1987 low against the yen) is likely to eliminate foreign trade as a source of increased demand in 1990.

● Business investment probably declined during the fourth quarter of 1989. It is not likely to show much strength, and may even decline, in the first half of 1990. Corporate cash flow and profit measures continue to drop sharply, and the declines that have already taken place will affect investment with a lag. Office equipment investment, which accounted for the lion's share of investment growth during the 1980s, has slowed to the point where lay-offs have become commonplace on Boston's Route 128.

● Government spending will not drive the economy forward. State and local governments around the country, particularly in the north-east, are in financial trouble and are cutting spending. Federal spending is not slated to increase and could fall if weapons programmes are slashed in anticipation of sharp reductions in future defence budgets.

● The consensus view expects consumer demand to drive the economy in the first half of 1990. It is true that consumer confidence remains high by historical standards. However, consumer confidence declined in November and surveys suggest that consumer willingness to take on debt has declined sharply in recent months.

More importantly, awareness of the weakness in the real estate market is spreading slowly. In recent weeks dozens of stories have appeared predicting declines in the nominal price of houses in much of the country. These predictions will be self-fulfilling as potential buyers hang back, anticipating further declines. Turnover in real estate markets has already fallen sharply, and the number of vacant units seeking tenants is at a record high.

Given widespread reliance on home-equity loans, it is difficult to believe that falling housing prices and a growing backlog of unsold homes will not impair consumer confidence and spending over the next year.

The Federal Reserve's strategy has been to try to fine tune the economy so that fears of a slowdown keep inflation in check but no slowdown actually takes place. But the Fed's game is a dangerous one. Increasingly long lags between money and output, brought on by financial deregulation and the increasing importance of international trade, make the task of fine tuning the economy even more difficult today than it has been in the past.

There is a possibility, if not a probability, that past monetary policies have been insufficiently accommodative to avoid a mild recession in 1990. A crucial question for the future is whether the Fed is more likely to err on the side of inflation or recession over the next year. This depends on how inflation evolves, and on how fragile the financial system proves to be.

On inflation, the risks do not look serious at the moment. With the exception of gold, which is artificially buoyed by political developments, commodity prices are very soft. In spite of relatively low unemployment, wage costs appear to be under control.

For now, it appears that the Fed has room to loosen monetary policy, but it will have to be very careful. If its commitment to attack inflation is seen to weaken, long bond rates could rise significantly, the dollar could fall, and wage demands could escalate.

The risks associated with increased corporate leverage and weakness in the junk bond market are probably overstated. Most bank debt in connection with leveraged buy-outs is senior and so will be safe – even if highly leveraged firms cannot meet all their interest obligations.

Greedy investors who bought questionable issues in 1987 and 1988 will suffer expensive losses; but the systemic risks are relatively small. Unlike the case of traditional bankrupt firms, many firms that are having trouble servicing their debts are fully viable as operating businesses. Bankruptcy in these cases is much more likely to involve the restructuring of paper claims than it is to disrupt real economic activity. It is unlikely to call forth a monetary policy response.

Real estate is a different story. Significant declines in house prices would increase financial fragility, and put the Fed in a difficult position since actions to inflate might not reduce and might even increase long-term mortgage interest rates.

The most likely outcome for next year is very slow growth. But it is important to recall that most forecasters miss most recessions. The consensus slow growth forecast could prove too optimistic in many more ways than that it could prove too pessimistic. Monetary policy is on hold for the moment. However, if growth slows further, it will turn expansionary – but probably not quickly enough to avert a mild recession.

Nevertheless, any recession that does take place is not likely to be too severe. There is no current need for the sort of wrenching disinflation that took place in 1975 and 1982.

Layered on top of these cyclical developments is the continuing risk of a hard landing brought on by the problem of the twin deficits (on the federal budget and the current account of the balance of payments.) The US current account deficit is likely to start rising again in 1990, given the recent strength of the dollar. International borrowing has been used to finance consumption rather than investment. The share of total consumption in GNP is at record levels, and net plant and equipment spending during the 1980s has been far weaker than in any previous decade – in spite of heavy borrowing from abroad.

No fundamental change in fiscal policy or in private saving that might solve the over-consumption problem is in the offing. In a more than $5 trillion ($5,000 bn) economy, budgetary fiddling over $10bn or $20bn makes very little difference. Any peace dividend from the ending of the Cold War is already massively oversubscribed.

The reality is that unless a crisis forces big policy changes, the US national saving rate will remain under 5 per cent for the next 5 years. This is less than two thirds of the saving rate the US maintained during the 1970s and less than half the savings rate of the average OECD nation.

The crucial question then becomes how long can the US finance its current low level of investment by borrowing from abroad, and by selling off domestic assets, rather than from domestic saving.

The strength of the dollar this year was caused by foreign investors' perception that US assets looked very cheap. Given that the US share of world stock market value has nearly halved in the 1980s, there is merit in this view. As long as it continues to be widespread, the US will be able to postpone adjustment by financing its current account deficit indefinitely.

The problem is that no dollar asset is cheap if the dollar is going to fall sharply within the coming year. As America's foreign debt increases and economic frictions with its traditional allies begin to supplant traditional national security concerns, it becomes increasingly easy to construct hard landing scenarios where foreign investment in the US dries up.

Combine a recession which reduces US interest rates and equity values and reduces confidence in US financial institutions with some unfavourable trade deficit news (and the lurch towards protection that would surely follow declines in the manufacturing sector). Factor in widespread support for politicians vowing to restrict efforts to make Americans "tenants in their own country." Add in tension between the US and Japan which leads the Japanese not to intervene or use administrative guidance to force financial institutions to stabilise the dollar. Finally, let progress towards eastern European integration continue rapidly so that there are substantial investment opportunities in Europe, and let Indonesia, Thailand and possibly even the Soviet Union emerge as strong magnets for Japanese capital investment.

Under such a scenario, foreign investment in US financial instruments could easily dry up, as the view that the US will never come near to balancing its trade without a substantial reduction in the dollar took hold. The Fed would then have very little room to manoeuvre, because actions to attract capital would reduce the liquidity of struggling financial institutions, and actions to provide liquidity would only fan the flames of dollar decline. Interest rates would soar, investment would collapse, and a period of stagflation would ensue. Eventually, a sharply reduced exchange rate would spur enough investment demand to spur the economy forward, but the wait would be acutely painful – not only for the real economy but also for holders of US stocks and bonds.

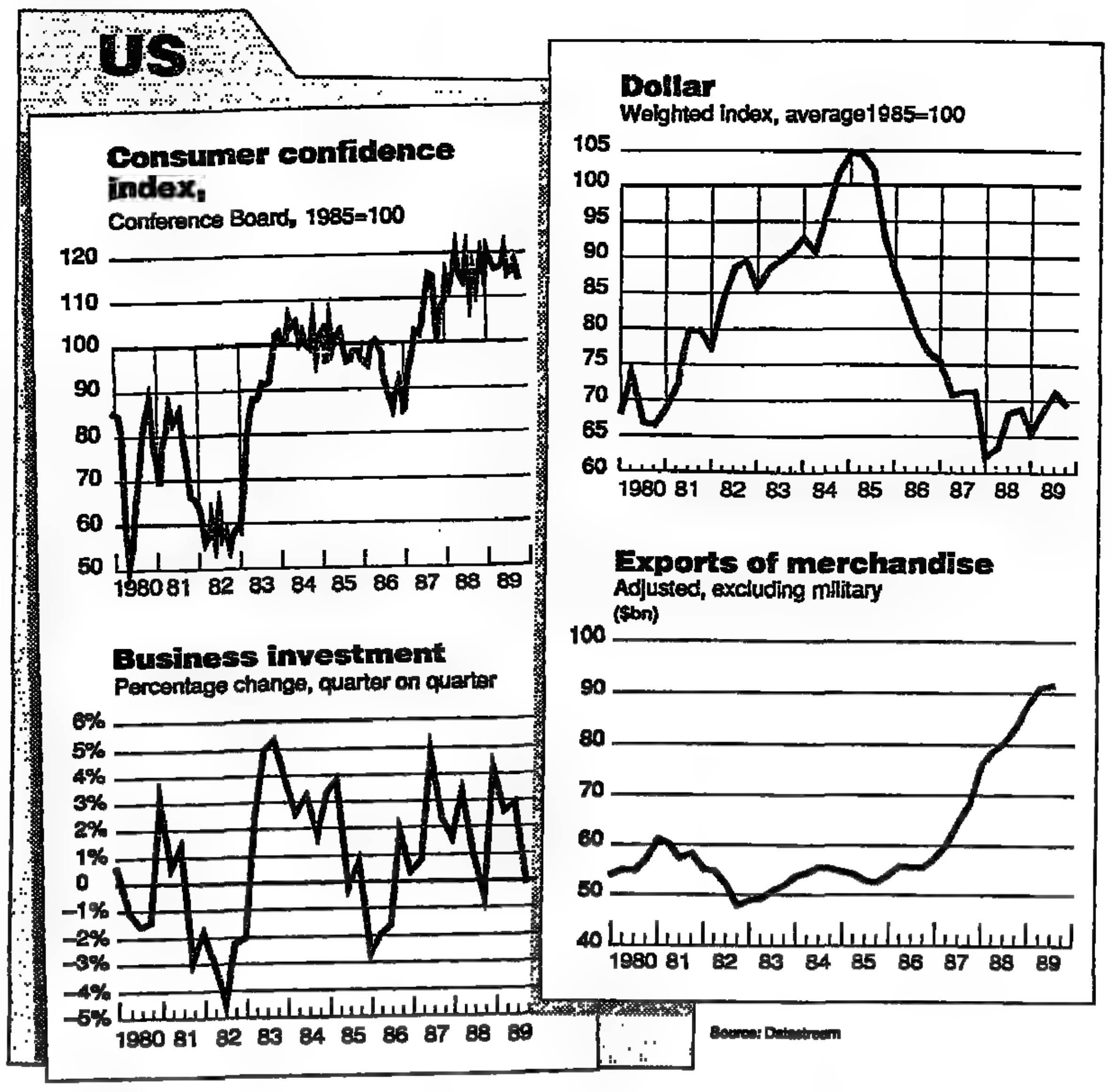
As the history of the last seven years demonstrates, the risk of crying wolf about the American economy is a real one. Its resilience may continue – neither recession nor hard landing is certain – but American optimism lacks the solid foundation in recent developments that is now so easily found in both Asia and Europe. In the end, the wolf ate the boy. It would be a mistake to bet too strongly on the American economy in general or the dollar in particular over the next few years.

Lawrence Summers is Nathaniel Ropes Professor of Political Economy at Harvard University.

US ECONOMIC FORECAST

	1989	1990
GDP (% change)	3.0	1.5%
Merchandise trade deficit	$113bn	$90-100bn
Treasury bill rates	7.94%	7-7.5%
Yield on 30-year Govt bonds	7.98%	7.5-8.0%

1989 interest rates are end-year; 1990 are annual average



LETTERS

Radical reform of vocational training has begun

From Sir Bryan Nicholson.

Sir, In his feature article "The need to stay the course" (November 29) Michael Prowse gets right the analysis of the educational problems of 16 to 18-year-olds. He is unduly pessimistic about the solutions on offer.

The Confederation of British Industry Vocational Education and Training Task Force which I chaired – and the report of which was unanimously endorsed at the CBI Conference last November – made the radical proposals he calls for. The report sets out a coherent framework to guide and structure young people's learning regardless of whether the courses they undertake are principally academic or principally vocational. Furthermore it will erode the present misconception that "vocational" courses are somehow "second class."

The framework is called "careership." It is based in part on the successful German dual system but adapts it to our particular circumstances and builds on many of the strengths of our present system. It involves individual records of achievement and action plans drawing on strong independent careers guidance and advice and it sets world class targets (since endorsed by Governments) for what needs to be achieved. It is available to every young person from the age of 14.

Of course we need to drive up the rate at which those over the age of 16 stay on in full-time education; but this is not the first priority. The first priority is to raise the sights and the achievements of the 60 per cent who do not stay on after 16.

Employers propose the elimination of 16 to 18-year-old employment that does not guarantee structured training leading to recognised qualifications at at least the vocational equivalent of five GCSE's at A-C grade. To achieve this by 1995 for almost all young people would be a quantum leap from where we are now with youth training scheme and general workforce training. The National Council for Vocational Qualifications (NCVQ) is drafting these qualifications.

It is true that in the past vocational qualifications have often been too narrowly job-specific. This will not be so in the future as NCVQ and employers are now committed to broad-based qualifications with so-called common learning outcomes: effective communication, applications of numeracy and technology, understanding of work and world, personal and inter-personal skills, problem solving and positive attitudes to change. This will provide a foundation not just for work but for continued learning through life.

Each young person should have an Exchequer-provided "credit" to be used to fund the costs of becoming qualified up to the vocational equivalent of two A levels. (Just as in practice happens when someone stays on in full-time education, employers would pick up the wage costs.)

This partnership between young people, Government and employers will rapidly drive up the qualifications level across the board. It will also start to give equality of status via NVQs to those who choose the principally vocational route. With the simultaneous reforms going on in the full-time educational system, it will begin breaking down the academic/vocational divide because the core skills will be taught, assessed and recorded across the spectrum.

Bryan Nicholson,
Chairman,
The Post Office,
Post Office Headquarters,
33 Grosvenor Place, SW1

Another view on basic balance

From Mr John Wells.

Sir, Samuel Brittan (Economic Viewpoint, December 14) asks us to contemplate with equanimity the record UK current account deficit forecast for 1989 (at £19.4bn or 3.8 per cent of GNP), the record net outflow of direct and portfolio investment (at £28.7bn or 5.6 per cent of GDP) and the consequential record deficit on basic balance, the sum of these two (at £48.1bn or 9.4 per cent of GNP). His arguments are not persuasive.

Prior to the relaxation of exchange controls in 1979, the balance on direct and portfolio investment (net), whether positive or negative, was usually comparatively small as a percentage of GNP, with the result that the current account balance and the basic balance more or less coincided. During the past decade, however, the balance of direct and portfolio investment, 1987 apart, has been persistently negative – with this capital account deficit increasing, as a percentage of GNP, due mainly to enormous increases in portfolio outflows. It is this large and increasing capital account deficit, together with the current account imbalance, which has brought us to our unprecedented situation on basic balance.

The main question is this. While the enormous size of the deficit on basic balance, currently being financed by "hot" money inflows, betokens the truly enormous changes which have taken place in international markets since the 1950s and 1960s, can anyone seriously deny that attempting to sustain these twin current and capital account deficits on such a massive scale carries with it grave risks for the health of the domestic economy? These risks are a progressive erosion in international financial confidence and the consequent choice between ever higher interest rates and/or currency collapse.

The UK cannot expect to have its cake and eat it: an unprecedented growth in personal consumption, a rise in the investment/GNP ratio, and, on top of this, the accumulation of a massive volume of overseas assets. We have to start to learn to cut our coat according to our cloth, since the cost of sustaining such massive capital outflows – in the form of increased interest rates necessary to attract "hot" money inflows with consequential detrimental effects on home investment – is insupportable.

John Wells,
Faculty of Economics and Politics,
University of Cambridge

Professionals in Hong Kong

From Mr David Sussman.

Sir, It is excellent news that most professionals plan to leave Hong Kong before it reverts to Chinese sovereignty in 1997. Nothing could be more guaranteed to encourage the Chinese to show a more pragmatic approach to the post-1997 political programme than the threat that there will not be sufficient management expertise to maintain Hong Kong at its current commercial value. Nothing is more guaranteed to maintain this Chinese administration in its determination to reduce the colony to the status of an outlying province of mainland China than the UK Government's policy of issuing British passports to the capitalist management classes.

The Chinese in Hong Kong are ethnic Chinese and the UK has no moral obligation to take them in. It is strongly in their interest that those who contribute to Hong Kong's finances and industry stay and work there after 1997.

David Sussman,
Pierre Cardin UK Ltd,
20 Old Bond Street, W1

A potential EC saving

From Mr F.S. Law.

Sir, In view of the decision taken by the 12 nations of the European Community to prepare a work schedule for a revision of the Rome Treaty, I would like to suggest that one item which needs looking at is whether the Economic and Social Committee needs to carry on.

I sat on this committee for eight years and can think of very little that it influenced or achieved.

Its very worthy, unpaid members spend hours and days debating draft directives, make their recommendations, and are then frustrated by the knowledge that very, very little notice is taken elsewhere of their deliberations.

This committee, consisting of more than 180 members, is a burden the taxpayer should not be asked to bear. The cost of its administration, including a very well paid staff in Brussels, a large number of interpreters, and the printing in a variety of languages of all dossiers and reports (the latter rarely looked at by the decision makers in Brussels or our Ministers) is horrendous.

The committee should either be taken more seriously and its recommendations heeded, or it should be abolished.

F.S. Law,
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FINANCIAL TIMES
Tuesday January 2 1990

UK CHANCELLOR IDENTIFIES GOALS FOR THE 1990s

Major outlines broad political agenda

By Peter Norman, Economics Correspondent, in London

MR JOHN MAJOR, UK Chancellor of the Exchequer, has said he wants low taxes, low inflation and high investment in a Britain that gives individuals "opportunities to realise their full potential, irrespective of their class, sex, colour or creed."

In a New Year interview with the Financial Times, Mr Major let slip slightly the image of the technocrat that has been his hallmark since moving into 11 Downing Street after the spectacular resignation of Mr Nigel Lawson at the end of October.

Outlining a political agenda that goes beyond the narrow remit of the Chancellorship, Mr Major said he wanted "to simplify government and make it more understandable and understanding." He said the British "far too often undervalue their abilities and attributes" and that he "would like to change that."

However, the Chancellor made clear that in the short term his overriding priority was to reduce inflation "even though I know that the means of getting it down will often be painful and unpopular." Interest rates would stay high for as long as was necessary.

He said the Government "must keep a further downward momentum" on inflation beyond the end of this year, when its most recent forecast, published in November, foresees retail price inflation falling to 5¾ per cent. Lower inflation was "essential" for the Government to be re-elected. "Conservatives don't win elections by debasing the currency," he declared.

But the Chancellor appeared unconcerned about last year's fall in the external value of sterling. The pound's fall, which amounted to nearly 12 per cent in trade-weighted terms, had not undermined the tightness of policy and would not jeopardise the Government's anti-inflationary goals. However, he said he would "not hesitate to act in future if necessary to keep policy tight."

With serious preparations for his first Budget due to begin at the end of next week, Mr Major said he would not give any hints of possible tax changes.

However, he spoke in favour of moderate variations in fiscal policy to offset swings in private sector behaviour and appeared to rule out any radical move towards a more active fiscal policy to steer the economy. Such policies in the past had a "notoriously uncertain" effect on demand while the "impact on the supply side of the economy of fluctuating tax rates was very damaging."

His remarks suggested that a "Budget for savers" is unlikely. Encouraging personal saving was an area "where a lot has already been done".

He also appeared unsympathetic to pressure for a revision of the corporation tax system to shield companies from increased taxes caused by inflation. "We have one of the lowest rates of corporation tax in the world, and we now have a system of investment allowances which reflects the way companies actually account for depreciation," he said.

Mr Major refused to answer when asked whether he favoured an increase in mortgage interest relief to help home owners and made no reference to the long-established Treasury policy of allowing mortgage interest relief to wither on the vine. The Budget in March should show whether his lack of response to the question amounted to more than a change of rhetoric.

Reviewing the UK economy, the Chancellor said he did not believe that a recession was likely in 1990 although Britain "shall have a period of slow growth over the next 12 months or so." However, he stressed that the outcome was not entirely in the Government's hands because the Government did not control what happened to pay levels.

"In general, the higher pay settlements are, the greater the risks for output and employment," he said. "But I am not forecasting a recession over the next 12 months and if wage bargainers behave responsibly, we will find we do not have one."

Simon Holberton writes: In an interview with BBC Radio yesterday, Mr Major said the Government was aiming to become a full member of the European monetary system and reduce the basic rate of income tax to 20p in the pound, but he could not give a date for either.

Asked when Britons could expect some relief from the high interest rates imposed to curb inflation, he replied: "Well, I don't think it will be imminent." The Government had to be quite sure inflation levels were turning round and there was no way of telling precisely when that would be.

The Chancellor accepted Mr Lawson's aim of reducing the basic income tax rate from the current 25p in the pound to 20p, but "at no stage have we said we will reach 20p in the pound as the standard rate of income tax within this Parliament," he said.

Brighter prospects after gloom, Page 14

John Major: "British far too often underrate their abilities"

Haughey says EC must guide Eastern Europe

By Kieran Cooke in Dublin

MR Charles Haughey, the Irish Prime Minister, yesterday pledged support for the emerging democracies of Eastern Europe as he took over the rotating presidency of the European Community.

Mr Haughey, speaking at a special ceremony yesterday in Dublin marking Ireland's assumption of the EC presidency, said the Community must do everything in its power to guide the countries of Eastern Europe towards democracy.

"The situation in Eastern Europe is welcome but it is unstable," Mr Haughey said.

Ireland has taken over the EC presidency from France. For the next six months Mr Haughey will be Europe's master of ceremonies, a role he is determined to play to the full. Yesterday provided a flavour of things to come. Mr Haughey, accompanied by his son Sean who is present Mayor of Dublin, raised the European flag in Dublin city centre.

"The cohesive European Community we are shaping, whose political structures have been strengthened by sound economic arrangements, is not only a guiding light for the other nations of Europe, but the greatest force for good that the world has ever known," said Mr Haughey.

Behind the fanfare and rhetoric there have been intensive preparations for the Irish presidency. Mr Haughey has been involved at almost every stage, with his office assuming ever greater responsibilities.

Over the next six months Ireland will be chairing more than 1,000 separate meetings at official and working group level. In addition Irish ministers will be responsible for more than 40 Council of Ministers' meetings.

The grand finale of the presidency will be the European Council heads of state meeting in Dublin in late June, presided over by Mr Haughey.

While European leaders might have bulldozed their way through several contentious issues at the recent Strasbourg summit, there are still plenty of problems for Ireland to tackle.

On European Monetary Union (EMU) Irish officials will have to oversee much of the preparatory work for the Inter-Governmental Conference set for the end of the year during the Italian presidency. The Conference will draft treaty changes for the second and third stages of EMU.

While Ireland is in favour of complete monetary integration, the consequences of such a move have scarcely been debated within the country. EMU could cause Ireland severe economic problems. Mr Haughey, unlike Mrs Thatcher, has yet to outline his views on the loss of sovereignty EMU would entail.

The highly contentious issue of harmonising Community tax rates has been sidestepped at successive summits. Ireland has calculated that harmonising its VAT rates within the EC range would mean an annual revenue loss of I£600m ($919m). This, says the Irish Government "could not be entertained". Irish tax policy is out of step with many EC countries. Its 48-hour rule designed to prevent Irish shoppers from benefiting from cheaper prices over the border in Northern Ireland flies in the face of the EC rule book.

Ireland could also run into conflict with Brussels over the high level of state aid given to industry, which, along with Italy and Greece, is well ahead of the rest of the EC. Then there is transport liberalisation. In the last weeks of its presidency, France achieved considerable progress on air and road haulage liberalisation. Ireland now has a fat portfolio of (principles) to implement.

The environment has been identified by Mr Haughey as his personal priority for the presidency. Mr Haughey says there is a need to co-ordinate all the various directives and proposals within the EC countries. Ireland has lobbied hard for the siting of a new European Environmental Agency.

But highlighting the environment could prove embarrassing for the Irish: Ireland's clean and green image is more a marketing ploy than reality. Over Christmas, Dublin was shrouded in a thick and noxious blanket of smog, with pollution levels many times limits recommended by the EC. Ireland has failed to implement a number of EC environmental directives.

Events in Eastern Europe will obviously be a main area of concern.

Mr Haughey has been accused of over-acting his European role. Already there are criticisms about the money being spent on various aspects of presidential dressage. But Mr Haughey is keenly aware of the considerable financial benefits Community membership has brought Ireland.

The Irish have proved highly effective lobbyists within Europe. Ireland has recently been granted nearly I£3bn of structural funds by Brussels. On a per capita basis this was well in excess of funds granted to other officially designated less-developed regions.

Ireland still faces serious challenges in the new Europe. It is on the European periphery: many sectors of its economy are still underdeveloped. Unemployment, at 17 per cent, is nearly twice the Community average. Emigration is running at its highest level for years.

Bond directs courtroom battle in attempt to save his empire

By Richard Battley in Sydney

MR ALAN BOND, the besieged Australian entrepreneur, sets out today to direct a courtroom battle to save his brewing, media, property and resources empire from receivership.

He will appear in person to ask the Victoria Supreme Court to rescind its appointment of a receiver-manager to Bond Brewing Holdings, the main cash-producing subsidiary within the Bond group. He will claim, among other things, that Bond Brewing was denied natural justice in that it was not present at the receivership hearing last Friday.

National Australia Bank, the leader of an international banking syndicate which is owed A$740m ($596m), last week sought the court's intervention. It claimed the loan terms had been breached. Bond Brewing denies this.

Potentially more damaging, however, is a second action in Mr Bond's home state. The Western Australian Government, through the State Government Insurance Commission (STIC), has petitioned the Western Australia Supreme Court to wind up Bond Corporation Holdings, flagship of the Bond group.

It claims Bond Corporation Holdings owes it A$750,000 in interest indemnity payments on its Bell Group stake. A hearing is expected later this week.

Mr Wyvern Rees, the STIC chairman, said at the weekend: "We have acted because we believed Bond Corporation is insolvent. It is as simple as that."

Mr Bond has already failed in one legal bid to have the receivership of Bond Brewing suspended. On Saturday, he asked the Western Australia Supreme Court to restrain the receiver, pending a full hearing. Mr Justice Ipp refused this. He said, however, his decision had been made with some regret because he felt "in the circumstances a considerable injustice" had been done to Bond Brewing.

Mr Peter Lucas, executive director of Bond Corporation, said last night that he interpreted the judge's remarks that had it been "within his (the judge's) power he would have set aside the receivership."

Naturally, he added, the Bond group was disappointed that an Australian bank had led the syndicate requesting the receivership. It was "terribly unfortunate," he said.

Mr Lucas said that, should other banks follow NAB's lead, the "battle by Bond executives to pursue an orderly disposition of assets will run into a series of barriers which may be just too much for us." Earlier, he had said Bond Corporation faced the "very real threat of a forced liquidation after NAB's totally unnecessary action."

Analysts in Sydney said yesterday this virtually confirmed that the Bond Brewing receivership, if it survived the expected exhaustive legal challenges, would trigger immediate cross-default loan claims in all Bond companies. These were estimated at A$6bn.

Nigerian budget aims to meet IMF debt targets

By Michael Holman, Africa Editor, in London

PRESIDENT Ibrahim Babangida, Nigeria's military leader, yesterday set out an austerity budget likely to pave the way to a new agreement with the International Monetary Fund and further rescheduling of the country's $33bn external debt.

In a new year budget address, in which he stressed his Government's commitment to continuing economic reform, General Babangida said that "great emphasis will be put in 1990 on the dampening of inflationary pressures, and curbing of excessive monetary expansion."

He also warned that the Government would make further cuts in subsidies on petrol and diesel, kerosene and fertiliser, and may increase the tariffs of public utilities, such as electricity.

General Babangida, in the process of implementing a phased return to civilian rule by 1992, made it clear that there could be no let-up in the implementation of an economic reform programme that began in mid-1986.

Falling prices for oil, which accounts for over 90 per cent of export earnings, led to a sharp drop in foreign exchange receipts, from nearly $26bn in 1980 to around a quarter of that figure.

Under the Government's reform programme the naira has been devalued, falling to 7.5 from 1.2 to the US dollar in June 1986. Trade has been liberalised, and privatisation of nearly 100 companies is getting under way.

The President's message will be welcomed by Western governments and donors who have pledged $600m in concessional aid to Nigeria in 1990. It also augurs well for an early agreement with the IMF, an essential precondition to any rescheduling agreement.

Nigeria must renew a SDR475m ($584m) 15-month agreement with the fund which expires at the end of April. The Government has not drawn on the facility because of domestic opposition to borrowing from the IMF. There is speculation, however, that Nigeria could go beyond a renewal of the existing agreement in favour of a much larger, longer-term loan of up to $2.5bn.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	9	48	Dubrovnik	S	10	50	Malta	F	17	63	Rhodes	S	[illegible]	[illegible]
Algiers	F	15	59	Edinburgh	R	3	37	Manchester	C	5	41	Rio de J'o	C	[illegible]	[illegible]
Amsterdam	Sn	1	34	Faro	C	14	57	Manila	C	30	86	Rome	S	11	52
Athens	C	10	50	Florence	S	10	50	Melbourne	S	[illegible]	[illegible]	Salzburg	F	-2	28
Bahrain	S	20	68	Frankfurt	C	-2	28	Mexico City	C	23	73	San Francisco	C	[illegible]	[illegible]
Bangkok	F	32	90	Funchal	S	18	64	Miami	S	21	70	Seoul	F	1	34
Barcelona	S	11	52	Geneva	C	-1	30	Milan	Fg	[illegible]	[illegible]	Singapore	–	–	–
Beirut	–	–	–	Gibraltar	F	17	63	Montreal	Sn	5	41	Stockholm	C	-6	21
Belfast	C	7	45	Glasgow	R	4	39	Moscow	H	-5	23	Strasbourg	C	-2	28
Belgrade	S	-1	30	Guernsey	R	8	46	Munich	S	-2	28	Sydney	S	[illegible]	[illegible]
Berlin	Sn	-2	28	Helsinki	C	[illegible]	41	Nairobi	F	21	70	Taipei	F	21	70
Biarritz	F	15	59	H. Kong	C	17	63	Naples	Dr	10	50	Tangier	F	[illegible]	[illegible]
Bombay	S	28	82	Innsbruck	S	-1	30	Nassau	F	29	84	Tel Aviv	S	17	63
Bordeaux	C	10	50	Inverness	C	4	39	New Delhi	S	11	52	Tenerife	S	20	68
Brussels	C	2	36	Islamabad	F	16	61	New York	C	6	43	Tokyo	S	[illegible]	[illegible]
Budapest	C	0	32	Istanbul	C	5	41	Nice	S	10	50	Toronto	S	-4	25
B. Aires	F	29	84	Jakarta	R	32	90	Nicosia	S	17	63	Tunis	F	16	61
Cairo	S	19	66	Jersey	R	6	43	Oporto	S	19	66	Valencia	F	11	52
Cape Town	F	23	73	Jo'burg	F	22	72	Oslo	C	-6	21	Venice	S	4	39
Curacao	C	26	79	Lima	F	24	75	Paris	Fg	-2	28	Vienna	C	-1	30
Casablanca	F	18	64	Lisbon	F	13	55	Peking	S	2	36	Warsaw	C	-1	30
Chicago	C	-2	28	London	C	4	39	Prague	C	-3	27	Washington	F	4	39
Cologne	C	0	32	Los Angeles	Fg	8	46	Reykjavik	F	4	39	Zurich	–	–	–
Copenhagen	Sn	1	34	Luxembourg	Fg	-3	27								
Corfu	S	13	55	Madrid	Dr	8	46								
Dallas	S	-1	30	Majorca	F	14	57								
Dublin	C	8	46	Malaga	F	15	59								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Romania paves way for poll

Continued from Page 1

Communist Party was attempting to control the political agenda.

"This is not true. It was a revolution without and against the Romanian Communist Party. The council is a broad church and it will stand in the elections and campaign on its present record," said Prof. Brucan.

To illustrate his point, he took the unusual step of appearing on television to explain his position.

"We are still identified by some people, and by remnants of the Securitate who are trying to discredit the council, with the old regime. A lot of people have misgivings about us (because of our Communist background). This is understandable. That is why we have to establish our credentials and let the people know what we did during the Ceausescu era and on that basis we will legitimate the activities of the council," he said.

Prof. Brucan is expected to be followed by other senior council members in a series of interviews on television.

He admitted that the interviews were the beginning of the electoral campaign.

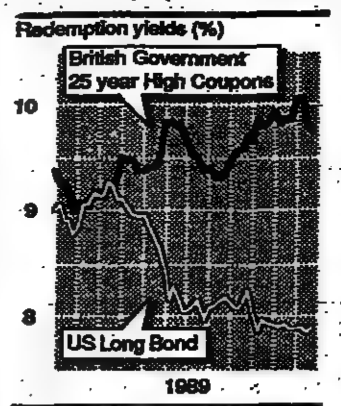
The council, he said, would field candidates, of whom 70 per cent would be between the ages of 20 and 40 years, and many of whom would not belong to the Communist Party.

The council at the weekend met officials from the European Commission. It said it was in need of meat, butter, citrus, vitamins and fodder.

THE LEX COLUMN

Eyes down for the doubtful decade

As the investor peers into the mists of the 1990s two thoughts come to mind, neither of them particularly cheerful. First, the odds are against this decade being as easy to make money in as the last one. Second, it happens that the turn of the decade is also a turning point in global politics and investment. Turning points are always the hardest to call.



The first point is mathematical rather than judgmental. The 1980s were simply exceptional; an unusually deep recession at the outset, then an unusually prolonged recovery. This year, the US and UK may or may not see what is technically termed a recession. But it will certainly be the nearest thing to it since the early 1980s. At such a turning point, forecasting what will happen to corporate earnings is the easy bit. What is harder is judging the multiple which those earnings deserve.

In political terms, the turning point is in Eastern Europe. Some US brokers, emboldened perhaps by distance, speak of the 1990s as the decade of Germany, as the 1980s was of Japan. But this risks trivialising the issues. If, for instance, the tanks were to roll in Poland or Czechoslovakia – an event whose likelihood cannot be sensibly assessed – the effect would be of a door slamming. The effect might be the more catastrophic in the two Germanies if there was no door left to slam.

US influence

In the more parochial investment world, the dominant influence will still be Wall Street. For the UK market this may have even more force than usual. There are already signs of a marked slowdown in UK domestic earnings. Although nearly half of UK corporate earnings are overseas-based, almost half of those earnings come in turn from the US. And the US is one of the few economies whose outlook for corporate earnings this year is almost as bleak as the UK's.

Whereas in the UK the damage so far is chiefly restricted to small companies, in the US the earnings downturn has reached major corporations from Bethlehem Steel and General Motors to IBM and Phillips Petroleum. There are also signs of deflation in real estate prices on a scale which could pose a threat to financial institutions. Despite this, the Dow, while clearly nervous, remains close to record levels.

In both New York and London, many brokers are still sticking to the time-honoured formula for forecasting the market six months out – 10 per cent plus a bit for luck. For the FT-SE this gives around 2,600: for the Dow, a nice round 3,000. For the UK in particular this looks even less persuasive than usual. The FT-SE will be either a good deal higher than that or – more likely – a good deal lower.

It would be most surprising if this year saw a January rally anything like last year's, which took the FT-SE up a clear 14 per cent in a month. In the previous November, Wall Street had resumed its bull run after the 1987 crash just as the UK market was knocked off course by another horrible set of trade figures and 13 per cent base rates. The January rally simply represented London catching up. This time, London was knocked out of line in October by 15 per cent base rates and Mr Lawson's resignation. The December rally made up nearly all the difference.

UK outlook

On a longer view, two striking aspects of the UK at the turn of the decade concern politics in general and UK manufacturing in particular. Sadly, it is becoming increasingly hard to see the renaissance of domestic UK manufacturing in the 1980s as much more than an illusion.

The point is encapsulated by British Aerospace, now perhaps the UK's biggest manufacturer and certainly its biggest exporter. BAe has a market value of under £1.5bn, rather less than that of a much more typical 1980s creation, the TV services company Carlton Communications. Some of BAe's valuation is due to recognition of its skills as a service sub-contractor for deals like the Al-Yamamah project. Most of the rest is due to its land holdings, which will be highly valuable as soon as it stops using them for manufacturing.

Politically, market analysts are increasingly preoccupied with the chances of a Labour victory. This may be outdated thinking, based on the idea that Thatcherism as an economic doctrine retains its original force. It may be that the conduct of macroeconomic policy only ever becomes a particular issue at certain points of crisis, such as occurred in the early 1980s. According to one of Labour's economic advisers, management of the economy is not now an important element in the Shadow Cabinet's thinking. It is simply assumed that the present policy would be broadly retained.

Stock themes

That aside, the fundamental trick in the UK market will be to identify themes for the decade. The top performing sectors of the 1980s – pharmaceuticals, publishing, life insurance and food retailing – cannot be counted on for the same again. Pharmaceuticals face price pressure and increased competition; publishing has been over-fond of expensive mergers; life insurance is at risk from the return of inflation; and food retailers have over-invested.

Some of the positive themes are in the market already. Cleaning up the environment will be big business, as doubtless will be the repair of Britain's transport and sewage systems. The arrival of the Japanese to run the UK car industry should help the motor components suppliers. On the world stage there may be further scope for the peculiarly British aptitude in marketing international luxuries such as drinks and hotels.

Contrary thinking would also suggest looking at the worst-performing sectors of the past decade. Buying some of them would be a heroic act of faith in UK manufacturing: mechanical engineering, metal forming, motors, textiles. The banks – eighth worst sector of the decade – do not inspire much confidence in their international competitiveness either. On the other hand, some bombed-out sectors such as stores and property could be ready for the turn. The vexing thing is, of course, that the real star performers will be companies and sectors which no one would now think of putting forward. But that is in the nature of markets; this decade or any other.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 2 1990

INSIDE

New year brings optimistic hopes

After a desultory 12 months in which four primary dealers retired hurt from the fray, the gilt-edged market looks forward to 1990 daring to hope things might get better. With optimism rekindled, analysts are looking ahead to a year in which interest rates fall, the economy slows and a year in which it becomes possible to think that the Government might begin issuing gilts again. Simon Holberton reports. Page 28

Tightening the grip

As the debate over the worth of league tables continues to divide opinion in the Eurobond market, one thing remains certain. Japan's grip on underwriting issues became a stranglehold during a record-breaking 1989 — a development that was highlighted by the four leading Japanese securities houses taking top slots in the annual rankings. Page 19

Higgs' profits claim attacked

Y J Lovell yesterday criticised the increased profits forecast and property revaluation produced by Higgs and Hill, the rival construction group for which Lovell is making a hostile bid of £137m. In its final defence document, Higgs — headed by Sir Brian Hill (left) — had said it would boost its dividend by 67 per cent and that pre-tax profits would increase by 6 per cent to £26.5m. Andrew Bolger reports. Page 21

Easier test of resolve

Business resolutions for the New Year tend towards drudgery: keep the desk tidy; answer mail promptly; keep minutes of meetings; make sure the filing is up-to-date. There is, however, one unobvious resolution which is easier to implement and less of a strain to keep. In the Business Column, Peter Martin reveals what it is. Page 32

Grit and determination

Whatever other problems Battle Mountain Gold may have, lack of confidence is not among them. Even the unrest in Papua New Guinea that has closed the huge copper mine on Bougainville Island for more than six months and the resulting reluctance of commercial banks to back projects in the country do not knock it out of its stride. Development of the Lihir island gold deposit in PNG, widely believed to be the biggest yet discovered outside South Africa, is certain to go ahead, says the North American mining company. Page 18

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Cautious steps in the merchant bank forest

David Lascelles charts the success of the Japanese in their attempts to penetrate the European market

Geoffrey Bell (left) and Ken-ichi Ozawa: working together

When the Bank of Yokohama made a successful bid last summer for Guinness Mahon it was the clearest sign yet of the growing Japanese desire to get into European merchant banking. The £95m ($152m) sale of the UK bank was said to have attracted considerable bidding interest from Japan.

But the question is whether the Japanese will succeed in amassing as large a share of this complex, people-driven business as they have of more conventional financial services where to their enormous firepower has made them dominant players. The indications so far are that they are proceeding steadily but cautiously.

At Guinness Mahon itself, Bank of Yokohama has been wary of putting too heavy a stamp on its new subsidiary. "We want Guinness Mahon to be a British merchant bank, not a Japanese commercial bank," says Mr Ken-ichi Ozawa, one of the three Yokohama directors who have joined Guinness Mahon's 11-member board.

So far, the relationship has evolved mainly around the muscle that Yokohama's £51bn balance sheet can add to Guinness Mahon's financing capacity. For example, Guinness Mahon was too small to participate in the underwriting of the recent UK water industry privatisation. But with Yokohama's help it was able to take a £150m position.

"They're high quality people," says Mr Geoffrey Bell, the chairman. "They leave the management to me. If you have to explain why you have to be independent, then there's no point in even starting out together."

But Yokohama is, as yet, the only Japanese bank that has taken the plunge into acquisition.

All the other leading institutions are trying to build up their own merchant banking business in-house, with the focus on mergers and acquisitions. All of them expect to see rapid growth in Japanese-European deals, particularly as 1992 approaches.

Mr Yoshio Yokota, the president of Yamaichi Securities, which was one of the first to set up its own London-based M&A team, says: "Banks and securities houses can play an important part in advising on deals." Yamaichi was involved as adviser in one of the few acquisitions made in the Japanese market by a European company: Polly Peck's $110m purchase of 51 per cent of Sansui, the electronics manufacturer.

Daiwa, the second largest securities house, has set up a separately incorporated UK subsidiary to handle M&A business. At the moment, it has nine professionals (including two Japanese), and Daiwa expects this to rise to 12 this year.

What is striking about the Japanese institutions' approach to Europe is that they have not tried to emulate their earlier entry into the US market, where they formed alliances with local firms.

For instance, Nomura, the largest securities house, took a stake in Wasserstein Perella in New York, but has not done the same in London, either with Wasserstein Perella's European arm, or with any other house. A spokesman says the strategy is still under consideration. But on the Continent, Nomura has taken small stakes in Matuschka, the West German investment banking firm, and the merchant banking arm of Banco Santander of Spain.

A different approach has been adopted by Mitsubishi Trust and Banking, Japan's largest trust bank. Its London branch has set up what it calls "an exclusive association" with a team of 10 European M&A professionals.

Mr Kanzo Yamaguchi, deputy general manager, declines to discuss the precise remuneration package that binds the team to Mitsubishi. But he says the arrangement was designed to give the team the independence it needed, and overcome the cultural gaps.

One of the most difficult problems facing the Japanese is recruiting the right sort of people, and acquiring the particular skills of the European M&A market. Although European M&A specialists have been reluctant to join Japanese houses because of career uncertainties — and have therefore commanded premium salaries — the numbers are now growing.

Mr Colin Scotland, one of those who joined Daiwa from Citicorp last summer, says he deliberated for four months before agreeing to move. But he decided that he would be "more in the mainstream" with a top Japanese securities house than a large US commercial bank. Now that he is recruiting for Daiwa, he denies having to pay over the odds to get good people. "They come here because they expect to see deal flow," he says.

The operations that the Japanese have established do not so far seem to pose much of a threat to the traditional UK merchant banks. "I've really not bumped into them at all, except at receptions," says a corporate finance director at one of the top UK houses.

But the Japanese are not really targeting the traditional corporate finance market, particularly where it involves large, hostile takeover bids, so they do not necessarily compete in the same territory.

"We don't have hostile takeover artists, but strategic dealmakers," says Mr Raymond Douse, managing director of Daiwa Europe (Corporate Services). "We don't anticipate that offers for publicly-quoted companies will be a large part of our activity."

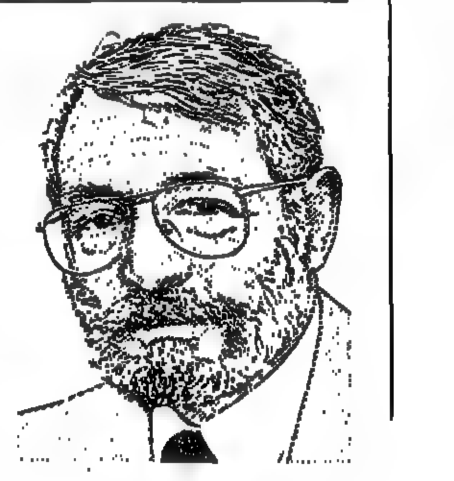
In fact, the Japanese hope to build their business on their obvious strength, which is their connection with the Japanese market. "We don't offer the sophistication of Schroders or Warburgs," says Mr Russell Wheeler, assistant general manager of Sumitomo Bank's M&A department. "But we can offer a depth of knowledge in Japan which they can't hope to match."

Not that the number of deals which the Japanese have been doing are remarkable yet in either size or number. Sumitomo did six deals in 1989, the biggest about £50m. Daiwa's team did four in Europe, and several more in the US.

But these numbers are certain to grow this year as the Japanese houses develop their staffs and expertise — and Japanese companies become more accustomed to acquisition as a means of achieving growth. "I am incurably optimistic over the future of this business, especially for Japanese companies entering the European market," says Mr Wheeler at Sumitomo.

A tale of two Richards

By Anthony Harris in Washington



Most readers should find it easy to empathise with President Bush today. It's been a wonderful party, but just look at the meal in plain terms, Mr Bush has to drag his attention back from his effortless triumphs overseas to the US budget.

Last year he was widely applauded for a rotten set of proposals; he is likely this year to get a worse reception for a better budget. The popularity he has won at home with the Panamanian operation may restrain his opponents a little; but with the mid-term elections getting nearer, partisan warfare cannot be suspended for long.

It is worth stressing how important those elections are this year — not so much the Congressional elections, since even enthusiastic Republicans would not claim that they have much chance of denting Democratic control of the legislature, but the state-level elections.

This is the year when the results of the latest census will be translated into re-districting, to ensure that representation keeps up with population shifts. This process offers tremendous opportunities to the party in control (just as it does in Britain).

In the US, the new boundaries are drawn by state legislatures. If the Democrats could repeat the triumph they enjoyed in the 1989 gubernatorial and mayoral races, the Republicans would be handicapped for a decade. Since the Democrats scent a real possibility here, they are likely to be on the counter-attack on the domestic front.

The lack-lustre economy — which is already in shallow recession, according to the widely-respected Mr Alan Sinai, a leading mainstream market economist — may make the job look easy. Hard economic times are always bad for the party in power. However, a weak economy is a particularly severe embarrassment for state politicians.

Most governors work under balanced-budget laws, and weak revenue growth means unpopular service cuts, or even more unpopular tax increases. This can only make the Democrats on Capitol Hill more determined to convince the public that it is all the fault of the White House; and there are already signs that it will make the White House determined to pass the blame on to the Federal Reserve.

It is suggestive in this connection that the Budget Director, Mr Richard Darman — the one Cabinet officer who publicly criticised the Fed in 1989 — is very much in control of policy, despite his political setbacks last year.

Mr Darman is a fascinating character. His is one of the towering intelligences in a patchy Administration, and for a time last year he appeared to have charmed his way into the centre of events. He was not only a master of detail, but was very successfully schmoozing with the Democrats. (This wonderful American word should be imported forthwith).

It was not his fault that it all broke down in ill temper. He was suggesting that the no-new-taxes pledge would be softened in due course; there would be bipartisan accord last year, to be followed by a grand strategy for the difficult period now beginning, when the deficit-reduction targets really are demanding. At the start, all this looked achieveable.

Unfortunately for Mr Darman, the Republican party machine got worried rather early about its electoral prospects (quite rightly). The White House decided that it would press for a quick capital gains tax cut, which wrecked the 1989 accord, and that its no-new-taxes pledge was a priceless, untouchable asset, which destroyed the strategy. Congress has blamed the messenger, and no longer trusts the Budget Director.

Within the Administration, though, his influence has grown. This is partly due to the way he has run the spending budget this year: he has adopted the British approach of declaring in advance the size of the total pot, and leaving the spending departments to compete for their share. This has predictably diverted part of their energy into fighting one another.

In the last days of 1989, an accident has left him in a still more central position: the Treasury Secretary, Mr Nicholas Brady, is out of action in hospital for a hip replacement and while his officials are still in control of the few policy innovations expected this year, it is Mr Darman who sits at the Cabinet table.

In this year of prospective disarmament, this may look an enviable opportunity; but in fact Mr Darman's proposals, which are reported to meet the Gramm-Rudman call for a $64bn cut in the deficit (given an assumption of 2.6 per cent real growth), cannot be painless.

The Defence Secretary, Mr Richard Cheney, has greeted the end of the Cold War with a demand for cuts of $180bn in the five-year defence budget, but this would in fact cut real spending by only $43bn annually by 1994, and would make only a small contribution to this year's deficit cut. Mr Darman must offend domestic lobbies in order to get real cuts; and real cuts are needed to start the virtuous cycle which the Administration hopes will make the long-term solution relatively painless.

This notion is based on economic models which show that a cut in the deficit would lead to a fall in interest rates, and so, in due course, cut the deficit further.

The stakes could hardly be higher: here, according to White House hopes, is the opportunity to grow out of deficit without raising taxes.

The fight with Congress over spending will be determined, and public. Given the key role of interest rates in this scenario, the less public pressure on the Fed will also no doubt be intense. It may not lead to warfare, though; the Fed has always made it clear that a genuine deficit-cutting budget would take much of the strain off monetary policy.

A British commentator cannot escape a feeling that it is *déjà vu* all over again. In 1981 we had a "deflationary" budget in a depressed economy, interest rates came down with a run, and the Thatcher miracle was under way; it was eight years before it went badly sour. The Darman gamble could come off, then — though a lot of international capital has flowed since 1981, and the link between the Federal budget and US interest rates may not be as strong as the model builders suppose.

Economics Notebook

Learning from past experience

WESTERN policy makers have come to accept that the planned transition of eastern Europe's command economies to western-style market-based systems will be highly complex, risky and without precedent.

But the novelty of economies moving from one system to another does not mean that lessons cannot be learnt from the past experiences of the industrialised world.

In looking back, some western monetary officials believe that the history of west European financial relations in the 1950s could provide useful guidance for eastern European countries in their quest for enhanced international competitiveness and currency convertibility.

In particular, the story of how the now largely forgotten European Payments Union freed trade relations between the west European countries from bilateralism and import restrictions and enabled its members to start catching up with the US, the post-war economic superpower, could point to ways of reforming Comecon, the ailing eastern trading block.

A detailed history of the EPU*, sponsored by the Basle-based Bank for International Settlements, was published recently.

Although written before last year's upheavals in eastern Europe, it highlights some striking similarities between the condition of western Europe at the end of the 1940s and Comecon today.

Rather like eastern Europe today, international trade and payments in western Europe were subject to a maze of restrictions 40 years ago. Some 200 bilateral agreements limiting trade had been negotiated between governments. The west European currencies were of limited value as a means of exchange. With dollars and gold in desperately short supply, the result was a kind of barter trade.

In 1950, the EPU made the currencies of its 17 member countries fully transferable into one another so that governments no longer had to be concerned about bilateral balances. They therefore had no reason to discriminate in trade with one another.

They had to worry about their payments balances with the EPU system as a whole, however. Each month, debts and credits were settled partly in gold or dollars and partly through the giving and taking of credit. Credit lines were strictly limited, forcing member countries to pursue prudent economic policies in an environment of co-operation.

When the EPU was wound up in 1959, intra-European trade was largely liberalised and had doubled in volume. Quota restrictions on imports from the dollar area had been cut. There had been strong economic growth, rising investment and employment in western Europe and external convertibility had been restored for EPU member currencies.

In short, the achievements of western Europe in the 1950s mirror to some extent the aspirations of countries like Poland and Hungary today. But is Comecon really a suitable vehicle for such an exercise?

The Polish and Hungarian authorities clearly think not. They want to put their trade with each other and the Soviet Union on a hard currency basis next year. Looking at the non-achievements of Comecon, it is easy to see why it should be bypassed.

- It has singularly failed to live up to the aims of its December 1959 Charter, which said Comecon should contribute to the balanced growth, more rapid economic and technical progress, increased labour productivity and improvement of the welfare of the peoples of its member countries.
- A system of multilateral payments, planned for introduction in 1964, has never worked: the so-called transferable rouble is in practice neither transferable nor negotiable.
- Member countries, including the Soviet Union, last year imposed restrictions on their exports to other Comecon members, highlighting the system's failure.

A fundamental weakness of Comecon and the east European economies in general is that they have lacked realistic price signals based on market-determined costs.

However, some western officials argue that east European countries should think of putting new life into Comecon. These countries carry out most of their trade with other Comecon members and production cannot be swiftly re-directed to western markets because of technological backwardness.

Moreover, many western monetary officials are privately worried about the speed and radicalism of such plans as Poland's to move to market-based systems.

Some of these concerns were apparently echoed by east European central bank governors when they visited Basle last month. However, it is unknown whether any took the BIS-sponsored book on the EPU back home with them to ponder the possibility of an East European Payments Union.

**The European Payments Union, by Jacob J Kaplan and Günther Schleiminger. Published by Clarendon Press, Oxford.*

Peter Norman

THIS WEEK

THE MOST important economic indicators out in a week shortened by the holiday will be published in the US. The Purchasing Managers' Survey for December is released today, followed by the Employment Report, also for December, on Friday. Both sets of statistics should give an indication of whether the US economy is heading for recession, as some analysts fear.

The PMS survey is expected to provide further evidence of the slowdown in the US manufacturing industry. Analysts regard any number in the National Association of Purchasing Managers Index below 50 per cent as evidence of a decline in manufacturing output.

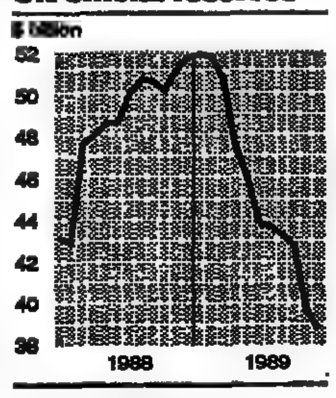
The NAPM index has been below 50 per cent since last spring, and Mr Rupert Thompson, US economist at Chase Manhattan, expects the December index to be close to the 46.6 per cent reported in November. He said that a figure nearer 40 per cent would suggest that the rest of the US economy was also contracting, along with the manufacturing sector, pointing towards recession.

An indication of the decline in US industrial output has already been provided by recent employment data. The total non-farm payroll has been rising steadily this year, but the manufacturing workforce has been falling, with a drop of 27,000 seen in November. Another fall is expected in December, but the expansion in service employment should more than compensate.

The consensus of analysts' forecasts, compiled by MMS International, the financial consultants, is for a rise in the non-farm payroll of 160,000, compared with November's increase of 210,000. The manufacturing payroll is forecast to fall by 15,000, while the unemployment rate is expected to remain at 5.4 per cent.

In the UK, the official reserves figures for December will be released tomorrow. They should provide an indication of the extent of Bank of England intervention during the month to support sterling. The pound has had a relatively quiet December, following big falls against the D-Mark in the previous two months. The effect of intervention by the Bank late last week, when the pound hit its all-time low on the D-Mark cross rate, will not appear in tomorrow's data because the statisticians draw the line on the last Wednesday of the month.

UK official reserves



However, the impact of the Bank's intervention in the forward markets during previous months may well show up in the figures. With that in mind, the MMS international consensus is for a drop in the reserves of $400m, to follow November's fall of $931m.

Among the West German statistics due to be published during the next four days are industrial production for November (previous figure, -1.6 per cent, MMS forecast 0.5 per cent), and the current account for November (previous figure, DM7bn, MMS forecast DM11.3bn).

Today: US, November construction spending.

Tomorrow: UK, final money supply statistics for November.

Thursday: UK, finished steel consumption and stock changes in third quarter.

Friday: Japan, foreign exchange reserves for December.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US MONEY AND CREDIT

Decade concludes in placid mood

FOR A decade that had begun miserably with fixed income portfolios suffering lingering damage from high inflation, the 1980s ended in a prosperous and placid mood.

US Treasury securities rewarded investors last year with a total return (capital gains, interest and reinvestment income) of some 14.4 per cent in dollar terms. The decade's return averaged out at some 12.5 per cent a year, roughly double the rate of the dismal 1970s.

Of all government bond markets around the world, only Canada's outperformed Wall Street last year in local currency terms, according to Salomon Brothers.

Few investors and traders, though, can summon up much hope for an equally good 1990 as they resume work this morning. Most believe the Federal Reserve will at best ease US monetary policy one more notch in the next few weeks. But they forecast the economy and interest rates will be on the rise again by mid-year.

Changes in bond prices are unlikely to be dramatic, though, so yields will fluctuate narrowly with, for example, the Treasury's benchmark 30-year bold sticking quite close to an 8 per cent "centre of gravity," Drexel Burnham Lambert forecasts.

This stable state could last as long as the 18 months or so at which the bond yield had hung around 9 per cent, it added.

Investors' satisfaction with 1989 was not shared by the primary dealers who make markets in Treasuries. The 44 of them as a group were showing profits of only $300m for the first eight months of the year, the most recent figure available from the Fed, down a horrible two-thirds from the same period of 1988 which itself was down 50 per cent from 1987.

The year got worse later with many dealers running up hefty losses in November and December as they pushed the market too far ahead of the Fed's cautious easing. Of their problems, three main ones are: too many dealers/too little profit; too little market volatility/too little opportunity for grandstanding plays; and expensive overheads.

A few foreign-owned primary dealers quit the business last year and several more are rumoured to be planning their escape. The hardy survivors are saying the population must be culled to around 30 if anyone is going to make decent profits.

And nor was the prosperity shared much by investors outside Treasuries. Corporate and municipal bonds performed less well and alarming cracks appeared in junk bonds. A growing number of issues are coming unglued – even ones devised by Kohlberg Kravis Roberts, the pioneers of leveraged buyouts.

After Campeau, the Canadian real estate and retail group, had confessed to its deep financial problems in September, junk bond new issues became as rare and improbable as a snowstorm in June. It is hard to imagine the market will ever regain its innocent vigour now the investing public finally realises junk bonds have all the risks of equities but none of the rewards.

Many investors will rightly direct their thanks for their bond market prosperity last year to the Fed. It pulled off the tricky task of piloting the economy into a soft-landing. Growth and inflation rates slowed without the economy crashing in a recession.

The year had started with the markets intensely doubtful whether the Fed could manage the rarely performed feat. Despite tightening monetary policy through 1988, the economy was still growing at an inflation-inducing pace.

The bond markets had rallied, though, in the New Year when Mr Alan Greenspan, the Fed's chairman, said he would fight inflation. But confidence in him cracked by mid-February and bond prices began to fall rapidly. By late-March, the 30-year Treasury bond hit 9.32 per cent which was to be its peak yield for the year.

Within weeks, though, the economy was beginning to show more conclusive evidence of slowing down. The moment of truth came in early June. The monthly survey of purchasing managers turned in a reading below 50 per cent, indicating a weakening economy, for the first time since July 1986.

Investors waiting for the Fed to ease before buying would have consistently missed out

The Fed began flooding the market with rumours it would soon switch its strategy from tight money aimed at fighting inflation to easy money aimed at preventing a recession.

Shortly afterwards, it trimmed its target for Fed Funds by one quarter of a point from 9.75 per cent. It was the first of six quarter-point cuts during the year which took the key interest rate down to 8.25 per cent.

All through the year, the markets were well ahead of the Fed. Any investor waiting for the Fed to ease before buying would have consistently missed the boat.

The best part of the gains in bond prices during the year happened between the 9.32 per cent peak yield on the long bond in late March and its level of around 8.40 per cent just before the Fed eased for the first time in June.

And any foreign investor in US securities would have had a truly miserable time if he failed to guard properly against currency exchange risks. From peak to trough during the year the dollar plummeted some 23 per cent against the D-Mark and 17 per cent against the yen, massacring all bond market gains measured in dollars.

One persistent puzzle through the year was the shape of the yield curve. For most of the time it was inverted with investors getting better returns for lending short term rather than long. For some seven periods since the 1950s, an inverted yield curve has preceded a recession. So far this inversion has not and only the pessimistic forecasters a recession in 1990.

Figures for fourth quarter 1989 gross national product will likely show zero or negative growth. But a host of special factors were at work from natural disasters and unusually cold weather to strikes.

Similarly the first month or so of this year is likely to show a disturbing uptick in inflation.

Once the market gets those hiccups out of its system, bonds should settle into a stable period. The biggest excitement is likely to come from the political arena as the parties gear up for the mid-term elections in November.

With an inevitable delay between the last Fed easing and the first irrefutable signs of a recovering economy, the White House will be jumping up and down demanding the Fed does more to stimulate activity. Investors should hope the central bank resists the pressure lest inflation raises its ugly head again.

Roderick Oram

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	563.0	0.0	687.0	3,906.2
Prev	3,090.0	100.5	890.6	9,622.7
Other	1,381.5	0.1	429.2	2,463.6
Prev	3,135.5	3.3	586.2	4,349.9

Secondary Market

	Straights	Conv	FRN	Other
US$	16,077.2	907.8	3,054.1	3,856.9
Prev	21,678.9	[illegible]	7,022.3	6,826.1
Other	11,152.0	621.7	3,996.3	29,732.1
Prev	19,138.5	845.4	5,034.9	30,301.2

	Cedel	Euroclear	Total
US$	7,969.0	21,083.2	29,052.2
Prev	13,241.4	36,659.8	49,901.2
Other	17,066.5	26,730.0	43,796.5
Prev	25,243.7	38,151.2	63,394.9

Week to December 28, 1989

Source: AIBD

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.75	8.50	8.44	9.92	8.00
Three-month Treasury bills	7.82	7.88	7.76	9.03	7.37
Six-month Treasury bills	7.99	7.78	7.71	9.03	7.37
Three-month prime CDs	8.10	8.40	8.30	10.35	8.18
30-day Commercial Paper	8.65	8.65	8.45	9.95	8.05
90-day Commercial Paper	8.30	8.32	8.15	10.05	8.14

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	[illegible]	[illegible]	7.96	7.87	7.78
20-year Treasury	[illegible]	[illegible]	8.08	7.97	7.96
30-year Treasury	[illegible]	[illegible]	7.97	7.89	7.87

Source: Salomon Bros (estimates).

Money supply: In the week ended December 18 seasonally adjusted M1 rose by $2.8bn to $795.7bn.

Battle Mountain's crock of gold

Kenneth Gooding reports on a vast deposit in Papua New Guinea

Development of the Lihir Island gold deposit in Papua New Guinea, widely believed to be the biggest yet discovered outside South Africa, is certain to go ahead in spite of the enormous technical difficulties, huge financial requirements and recent violent upheavals in PNG, says Mr Karl Elers, president of Battle Mountain Gold.

His company has a vested interest in Lihir because Battle Mountain recently bought control of Niugini Mining which discovered the deposit and still has a 20 per cent interest.

Battle Mountain owns one of the lowest cost – and therefore most profitable – gold mines in the world, the Fortitude in Nevada. But the known reserves will run out in 1995.

Mr Elers insists, however, that by the end of the 1990s Lihir and discoveries in Bolivia will give Battle Mountain at least the same level of gold production as it has today.

The company expects to produce about 340,000 troy ounces of gold this year, putting it in the ranks of the medium-sized North American groups. For the next few years output is forecast to grow by an annual 5 or 6 per cent, he says.

Development of Lihir was delayed because BP Minerals, which has an 80 per cent interest, was taken over last year by the RTZ Corporation, the world's largest mining group.

Final feasibility studies have still to be completed but the indications are that mining will start in 1993 and build up to an annual output of 850,000 ounces in the mid-1990s.

At that rate of production Lihir's known resources of 43m ounces would last 35 years, so analyst expect output to be stepped up quickly.

About $65m has already been spent to bring Lihir close to production, of which Niugini contributed $12.5m. Once the go-ahead is given, another $750m will be needed for capital equipment.

Although the technical problems of getting the gold out from what is a still active volcano are enormous, indications are that in the early years the metal could be recovered for only $132 an ounce, well below the international average.

Finance for the project has still to be raised and there have been indications that the commercial banks are not all that keen to back ventures in PNG because of unrest which has closed the huge copper mine on Bougainville island for more than six months.

Mr Elers points out the violence is confined to Bougainville and that finance was raised recently for two other big PNG gold projects, Misima and Porgera. He says he recent meetings with members of the PNG Government showed it wanted the Lihir project to go ahead as quickly as possible.

Battle Mountain has committed US$165m to its stake in Niugini Mining, now at 50.5 per cent and which could rise to a maximum of 75 per cent. The money will enable Niugini to provide its part of the capital required for Lihir. It is expected that the PNG Government will take a 20 per cent stake in Lihir when the go-ahead is given, diluting Niugini's interest to about 16 per cent.

Battle Mountain will this week collect $100m, less costs, raised from a Euromarket issue of 6 per cent convertible debentures. It has also put in place a $150m revolving credit facility.

According to Mr Joe Mazur, vice president administration and communications, the company will also generate a cash flow of $80m this year. So it is ready for more acquisitions – even a really big one in the right circumstances. But like most other cash-rich metals groups, Battle Mountain is interested only in low-cost, long-life gold companies.

Battle Mountain also has one of the most aggressive exploration programmes and will spend $22m this year, mainly concentrated on the 40 square miles around the Fortitude mine (and seeing what lies beneath the mine at depth) and near the Pajingo gold mine in Queensland, Australia, which it brought into production late in 1987.

Battle Mountain starts 1990 with a listing on the Frankfurt Stock Exchange – it is now one of only three North American gold producers to be quoted on that exchange. Mr Mazur says a London quote is not necessary because the group is well enough known to the financial community there. About 20 per cent of Battle Mountain's shares are held by European investors.

The company, based in Houston, Texas, was spun off by Pennzoil, its previous parent, in 1985. With all the shares available and a market value of about $1bn, Battle Mountain is popular with institutional investors. Mr Mazur says that about 200 institutions between them own 40 per cent of the equity. Some of them were up to the limit permitted by their own rules and the debenture issue was designed to enable them to get round the restrictions and buy more Battle Mountain stock. It was also a low-cost and not very dilutive way for Battle Mountain to raise cash.

The issue was initially so well received, partly because the price of gold started to move upward about the time it was announced in November, that the amount to be raised was quickly increased from $85m to $100m.

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant cx yld = exercise yield at current warrant price. Closing prices on DECEMBER 29

EUROBONDS

Japan tightens grip on issue underwriting

JAPAN'S grip on underwriting Eurobond issues became a stranglehold during a record-breaking 1989, a development highlighted by the four leading Japanese securities houses taking top slots in the annual rankings.

League tables continue to divide opinion among syndicate managers. On the one hand, they can give a misleading impression of real business relationships and often need considerable qualification. Equally, however, they put hard numbers on what houses have actually done.

In spite of a constant trickle of deals in the last few days of the year, it was noticeable that the old practice of conducting deals to improve a league table position was absent.

The only house which drew persistent comment about league table business from rivals was Daiwa Europe, which produced a steady stream of issues up to late afternoon on Friday. The deals, none of which was expected to trade actively, allowed Daiwa to creep in front of Yamaichi to take second place.

To its credit, Yamaichi resisted the temptation to bring a late deal of its own and reverse the takeover. Perhaps it was content to rest on its laurels, having risen from fifth place last year and increased its market share from 4.22 per cent to 7.87 per cent.

To be fair to Daiwa, it should be noted that several houses, including Nomura, the runaway leader, remained active until the end of the year. Much of this business was connected to a fierce battle between the two houses for the top slot in the Euroyen sector, a position Nomura has come to regard as its place by right.

Nomura claimed victory, finally putting a comfortable gap between itself and Daiwa.

Although Daiwa's overall ranking benefited by its late deals, its reputation within the market suffered with several syndicate officials commenting that such behaviour made a mockery of the league tables.

There is another possible motive for Daiwa's late push. The most important issue it brought in December was a $400m deal for Austria, a controversial transaction which many syndicate officials thought had been subsidised by a member of the management group.

Launched using the fixed-price reoffered method of syndication, the deal was an attempt by Daiwa to break into the select band of houses which dominate issuance for sovereign and supranational borrowers in the dollar sector. It suggests that part of Daiwa's strategy is to diversify away from equity-related business.

Significantly, Nomura continued its diversification policy in 1989. It dominated the equity warrant business with 75 deals representing a 34.69 per cent market share.

Even with this business stripped away, however, it managed 65 deals totalling $8.14bn, more than enough to guarantee its pre-eminence.

The other Japanese securities houses relied on equity warrant deals to a greater extent. Nikko Securities, for example, brought $15.29bn of Eurobonds, $14.08bn of which was equity warrant business. Similarly, Yamaichi issued $16.33bn of deals, of which $13.67bn was warrant-related.

Small wonder, then, that the big four reacted so nervously to developments in Tokyo that appear to threaten their dominance of the Eurobond market. They all have much to lose.

Paradoxically, Nomura has most to forfeit and this might explain why the other three houses are less vocal in their opposition to moves to control the equity warrant business from Tokyo.

In general, the near absence of league table deals (in the sense that most underwriting houses refrained completely) was symptomatic of the economic pressure under which the banks now operate.

Most simply cannot afford to buy business for the sake of what is, at most, a dubious distinction. At a more complex level, bank managers have tightened their controls on the use of capital, limiting it to money-making areas.

TOP EUROBOND LEAD MANAGERS

Manager	1989 $bn	1989 Rank	1989 %	1989 Issues	1988 $bn	1988 Rank	1988 %	1988 Issues
Nomura	31.35	1	15.11	140	17.88	(1)	10.25	135
Daiwa	16.35	2	7.88	88	9.43	(4)	5.47	80
Yamaichi	16.33	3	7.87	78	7.27	(5)	4.22	61
Nikko	15.29	4	7.37	52	6.87	(6)	3.96	61
Deutsche Bank	9.75	5	4.70	82	12.23	(3)	7.09	84
CSFB	8.86	6	4.27	53	13.89	(2)	8.06	82
J.P. Morgan	7.68	7	3.70	40	5.60	(9)	3.25	34
Merrill Lynch	7.26	8	3.50	48	5.95	(8)	3.45	32
Morgan Stanley	6.51	9	3.14	37	3.62	(17)	2.10	30
Paribas	6.21	10	2.99	44	5.52	(11)	3.20	45
Bankers Trust	5.97	11	2.88	70	6.02	(7)	3.49	50
Ind. Bank of Japan	4.88	12	2.35	60	5.59	(10)	3.24	49
Salomon Brothers	4.62	13	2.23	24	4.92	(13)	2.85	31
Goldman Sachs	3.80	14	1.83	28	3.88	(15)	2.25	25
UBS	3.52	15	1.69	30	5.45	(12)	3.16	47
Credit Lyonnais	2.88	16	1.39	23	1.20	(32)	0.69	10
Dresdner Bank	2.78	17	1.34	17	3.80	(16)	2.20	24
Hambros Bank	2.75	18	1.32	46	2.68	(20)	1.56	46
S.G. Warburg	2.71	19	1.31	16	4.54	(14)	2.63	23
LTCB of Japan	2.66	20	1.28	29	2.35	(22)	1.36	25
Industry totals	†207.53			1520	173.89			1484

† Preliminary Figures - Full credit to book runner

Source: IFR BONDBASE

This year's preliminary total issuance of Eurobonds reached a record $207.5bn, spread between 1,520 deals. By contrast 1988 saw $173.9bn of issuance, spread between 1,484 deals.

If this year's volume was a record, the number of deals failed to breach the 1986 figure of 1,670. But this also meant that the average size of issues was larger.

Demand from investors for larger and more liquid deals continued to grow, and to some extent it was satisfied by the underwriters. The year saw the consolidation of the jumbo issue for sovereign borrowers, and the launch of the World Bank's global bond issue.

One of the most innovative deals of the year, J.P. Morgan's exchange offer for the Republic of Finland, found its principal justification in the argument that it would bring greater liquidity to investors holding illiquid paper.

Similarly, many borrowers seemed to accept the argument that the posting of a single liquid benchmark deal could be the lever for reducing future borrowing costs.

It appears that 1990 will see further developments along these lines, with new borrowers reported to be considering the global bond concept and many others planning large fixed-price reoffered deals.

In spite of the record issue volumes, profitability on the Eurobond market was elusive. Most banks made their returns on the crumbs from the Japanese equity warrant cake.

A measure of the importance of the warrant business was that another Japanese house, IBJ International, achieved only 12th place, dropping from 11th place last year.

IBJ is a bank rather than a securities house and is therefore unable to be the lead manager of Japanese equity warrant deals. It is as dependent as other banks on the goodwill of the big four.

Against the success of the Japanese must be set the continuing relative decline of European and US houses. Deutsche Bank and Credit Suisse First Boston both fell back and saw their market shares tumble, although CSFB caused a revolution in the sterling market where it emerged as the leading underwriter.

Bankers Trust fell from seventh place last year to 11th, in spite of conducting more deals in the same period.

Two US houses bucked the trend, however. J.P. Morgan had a fine year and climbed two places to seventh spot, increasing its market share from 3.25 per cent to 3.7 per cent.

But the sharpest move came from Morgan Stanley, up from 17th place in 1988 to ninth this year, and nearly doubling the volume of its issuance. If for nothing else, Morgan Stanley wrote itself into the history books by bringing the first US-style syndication on its $500m issue for New Zealand in September.

In a difficult market a few banks managed to find profitable niches – Merrill Lynch discovered and sold the concept of the variable-rate note (VRN) as a way for banks to alter their floating-rate borrowings in order to meet new capital requirements.

Similarly, Hambros Bank proved that a niche position can be translated into an enviable domain. It increased the volume of its issuance and rose two places in the general table, in spite of losing overall market share.

It easily topped the Australian dollar sector, bringing 28 deals for a total of $1.85bn. This represents a 22.7 per cent share of the sector.

Hambros also launched its first deals in the Canadian dollar sector, suggesting it will gradually try to expand out of its niche to become a bigger player.

The bank's success in the Australian dollar sector points to another apparent trend on the Eurobond market in 1989 – the steady growth of smaller currencies. French franc issuance nearly doubled, while lire issues all but trebled.

Crédit Lyonnais jumped into the top 20 underwriters by virtue of increased franc issuance as well as a strong presence in the Ecu sector, where it ranked second behind Paribas Capital Markets.

The Canadian dollar and Ecu sectors saw consolidation rather than real expansion, but the significant development in each of these sectors was their increased acceptance by institutional investors.

Missing from the top 20 this year? Swiss Bank Corporation fell out. It concentrated on co-lead management positions in 1989, bringing few deals as lead manager. Commerzbank was the other casualty, dropping out after a difficult year.

Andrew Freeman

EUROBOND ISSUES BY CURRENCY

1989 Rank	Currency	Total raised ($bn)	No. of issues	1988 Rank	Total raised ($bn)	No. of issues
1	US$	118.41	546	1	70.54	450
2	Sterling	19.18	105	2	23.67	137
3	D-Mark	15.07	123	3	23.14	185
4	Yen	13.78	254	4	15.41	199
5	Ecu	12.42	114	6	11.22	90
6	C$	11.04	107	5	13.22	164
7	A$	8.76	118	7	8.31	151
8	FFr	4.80	48	9	2.36	19
9	Lira	3.87	30	10	1.54	16
10	Guilder	1.48	19	8	2.62	33

Source: IFR BONDBASE

Giant to sell Canadian assets

GIANT RESOURCES, the Australian mining company, plans to sell its Canadian assets through international tender, AP-DJ reports.

The assets include 43.7 per cent of Curragh Holdings, a lead-zinc-silver producer, and a controlling interest in the gold mining operations within the Pamour group, including Pamour, Giant Yellowknife Mines, and ERG Resources.

Giant said last month it had entered into a letter of intent to sell its Canadian assets to Frame Mining of Toronto for the equivalent of A$230m (US$182.5m).

But Giant said Frame did not complete its due-diligence exercise within the required time. It added that several companies had expressed keen interest in the Canadian assets.

The Australian company said it believed it could sell the Canadian assets for A$230m.

Giant is 42.5 per cent owned by Pioneer International, one of Australia's biggest companies, which has announced plans to sell its stake in Giant.

Giant said that Pioneer would not provide any further financial assistance to the mining concern. It said it had agreed with its bank lenders to proceed with an orderly realisation of assets.

Pioneer said Giant owed it A$91m. All of Pioneer's commitments to Giant are secured, mainly over the Canadian assets.

Pioneer said it hoped the sale of Giant's Canadian assets would enable the mining unit to retire all its debt. Pioneer still proposes to sell its interest in Giant, pending the sale of the Canadian assets.

● Dominion Textile, Canada's largest integrated textile group, is to sell its sheet and bedding business with annual volume of around C$150m (US$130.4m) to a new company jointly owned with C.S. Brooks of New York.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Polly Peck Int.Fin.(b)§◆	110	2005	15	7¼	100	Shearson L'man Hutton	7.250
C.Itoh Finance (Europe)◆	30	1993	4	8⅝	101¾	DKB Int.	8.096
Mitsubishi Kasei(UK)◆	50	1993	3	8½	101⅜	Mitsubishi Fin.Int.	7.967
LTCB of Japan(l)◆	200	1996	6½	8¾	101⅞	LTCB Int.	8.347
Nippon Steel Int.(k)‡◆	50	1995	5	(k)	101⅞	Mitsubishi Fin. Int.	-
Orix Ireland Finance◆	100	1994	4	8⅝	101⅜	Daiwa Europe	8.208
Nissho Iwai Corp.(m)‡◆	300	1991	1	1/16	100.10	Daiwa Europe	-
CIBC◆	20	1991	1	7⅞	100⅞	Sanwa Int.	6.939
Flash Ltd.-Series L(q)‡◆	20	1993	3½	20bp	100.10	Sanwa Int.	-
Flash Ltd.-Series L◆	10	1993	3½	8¾	101⅜	Sanwa Int.	8.252
D-MARKS							
Oest. Laenderbank★★◆	50	1995	5	(c)	101⅝	IBJ (Deutschland)	-
SWISS FRANCS							
Thai Petrochemical(d)‡◆	50	1997	-	½	100	DG Bank (Suisse)	-
ECUs							
Christiania Bank(e)‡◆	20	1994	5	(e)	100.5	Merrill Lynch Int.	-
Postipankki◆	50	1991	1	10½	100⅞	Daiwa Europe	9.542
Skopbank(f)‡◆	85	1992	3	(f)	100.5	Merrill Lynch Int.	-
EIB(h)◆	60	1999	9	9¼	101½	IBJ Int.	9.000
LUXEMBOURG FRANCS							
SDS Bank★★◆	300	1993	3	9½	100⅝	BGL	9.252
YEN							
Union Bank Finland(a)◆	4.5bn	1991	1¼	(a)	101	LTCB Int.	-
Credito Italiano◆	10bn	1993	3¼	6¼	101¼	Nomura Int.	5.805
Banesto Issuances◆	22bn	1995	5	6.7	101⅝	Daiwa Europe	6.311
Caisse Cen.Coop.Econ.◆	9bn	1994	4	6.2	101½	IBJ Int.	5.769
Compagnie Bancaire(g)‡◆	3.5bn	1993	3¼	(g)	101⅜	Yasuda Trust Europe	-
Bergen Bank◆	5bn	1993	3	6.6	101¼	Nomura Int.	6.131
AIDC◆	10bn	1993	3	6.3	101¼	Nomura Int.	5.834
Toyota Tsusho Fin.(j)★★◆	5bn	1994	4	10	101⅝	Bankers Trust Int.	9.493
IFC(i)◆	10bn	1994	5	7.1	100.80	Nomura Secs.	6.905
Gen.Mort.Bank Sweden◆	10bn	1995	5¼	6⅜	101¾	Nomura Int.	5.969
Monte d'Paschi d'Siena◆	15bn	1993	3	6.6	101¼	Nomura Int.	6.131
Cariplo(n)‡◆	10bn	1995	5	(n)	100.15	LTCB Int.	-
Flash Twelve◆	4.34bn	1993	3¼	6⅜	101⅜	Sanwa Int.	5.886
Banque Nat. de Paris‡◆	5.5bn	1993	3¼	(o)	98¾	Daiwa Europe	-
PKbanken(j)◆	2bn	1992	2¼	7⅞	100¼	Daiwa Europe	7.722
Cr.Comm. de France‡◆	5bn	1992	2¼	(p)	101⅛	Daiwa Europe	-
SE Banken◆	10bn	1995	5¼	Zero	73⅞	Nomura Int.	5.937
SE Banken◆	15bn	1993	3¼	6.45	101⅝	Nomura Int.	5.874
State Bk Sth Australia◆	15bn	1995	5	6.9	101¾	Nomura Int.	6.479
Swedbank◆	12bn	1995	5	6.9	101¾	Nomura Int.	6.479
Credito Italiano◆	15bn	1995	5¼	6.9	101⅞	Daiwa Europe	6.468

★Not yet priced. ★★Private placement. #With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Redemption linked to Nikkei stock index. Coupon ⅛% over 3-month Libor first three months, then 12%. b) Conversion price 486p. Exchange rate 1.6045. c) Coupon 9⅝% first year, then 7⅞% thereafter. d) ½ over 6-month Libor. e) 40bp under 3-month Libor. Unlisted. f) 32bp under 3-month Libor. Unlisted. g) 3-month Yen Libor flat, then 7%. Redemption linked to Nikkei stock index. h) Fungible with Ecu200m bond launched Nov. 1989. Issue price plus accrued interest. i) Fungible with $150m bond launched in July 1989. Issue price plus accrued interest. j) Redemption linked to Nikkei stock index. k) Coupon first 2 years 50bp over 6-month Libor, then 9¼%. l) Coupon payable in A$, principal in yen. m) 1/16 over 3-month Libor. n) Coupon for six months 6.98% (semi-annual), then 5yr yen-yen swap rate -20bp. o) First three months 25bp over Libor, thereafter 8½% (annual). Redemption linked to Nikkei stock index. p) First coupon 3-month yen Libor -⅛%, then 10%, last coupon either 10% or linked to yen/A$ exchange rate. Redemption currency linked. q) $10m pays 20bp over 3-month Libor, $10m pays 20bp over 6-month Libor. Note. Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

UK GILTS

Dealer power likely to become more concentrated

AFTER a desultory year in which four primary dealers retired hurt from the fray, the gilt-edged market looks forward to 1990 daring to hope things might get better.

With optimism rekindled, analysts are looking ahead to a year in which interest rates fall, the economy slows and, a year in which it becomes possible to think that the Government might begin issuing gilts again.

Forecasting is a difficult game and, in the context of the gilt market, not without its fair share of wishful thinking. This time last year analysts were wildly optimistic about inflation, interest rates and the yield level for the market and were, with the exception of few, wide of the mark.

Last year was an awful year for the gilt-edged market. As Mr Michael Hughes, chief economist and strategist at Barclays de Zoete Wedd, notes:

"It was a year when the gilt market became irrelevant. Turnover fell away; gilts occupied a lesser percentage of the portfolios of funds; the market was less significant for the operation of monetary policy; and it contracted."

During the year, the trend towards larger and larger bargains continued, leading to a further concentration on market power (though not necessarily profits) in fewer dealers' hands at the expense of smaller houses. With turnover not growing and the market resistant to economic news, price movements were muted, making position-taking particularly hazardous and profits all the more difficult to make.

At the same time the market became more difficult for primary dealers to operate in.

The number of inter-dealer brokers was cut to two (from six originally) and there was growing anecdotal evidence that the two who remain were seeing less and less of the business as the larger house used their "off-screen" networks to deal with large lines of stock.

For investors, however, there was little evidence that the growing difficulties of primary dealers was having a deleterious impact on their ability to deal in the market. Neither do they appear to care if difficult market conditions force a few more primaries out of the market.

The dominant force behind many of these developments was not the market's over-optimistic assessment for the economy last year (which it certainly was) but the Chinese water torture to which it was subjected by the UK Government's funding policy brought about by its strong fiscal position.

Despite the recent downgrading of the 1989-90 public sector borrowing requirement surplus from £14bn to £12.6bn during the first nine months of calendar 1989, the supply of gilts outstanding fell £16.5bn (£8bn bought-in and £8.5bn maturing). When figures become available for the forth quarter the figure of the whole year is likely to be in excess of £18bn.

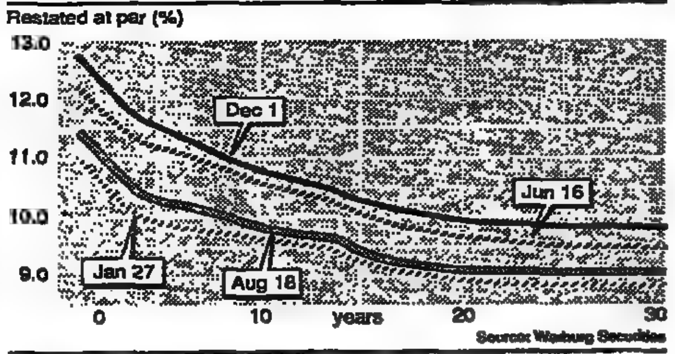
This "technical" factor dominated the market and was central in the maintenance of the market's downward sloping yield curve all year. It was not until after the Mansion House speech, when the former Chancellor modified slightly the Treasury's funding policy – the fudging of policy towards the sterilisation of foreign exchange intervention, and the removal of Treasury Bills from the funding equation – that poor economic news began to be reflected in a slightly more flexible yield curve.

As Mr Roger Bootle, economist at Greenwell Montagu, noted: "It was the phenomenal influence and power of the Bank of England's buy back programme that suppressed the normal behaviour of the gilt market. And this has had a knock on effect into 1990 by leaving the long end too low relative to the [economic] fundamentals."

There is little reason to expect much change this year in the market conditions that made survival so difficult for primary dealers last year. Fewer dealers can be expected to be in business this time next year.

Looking ahead, discussion of the prospects for the market and the economy this year do throw up some interesting similarities (the consensus, for want of a better term) and differences. As the accompanying chart shows the six analysts fall into two, unequal groups: those who think the Treasury will do better on inflation by this time next year than it forecast at the time of the Autumn Statement (BZW and UBS Phillips & Drew) and those who do not.

How the market moved in 1989



Source: Warburg Securities

Mr Chris Anthony, economist at Phillips & Drew, believes the current slowdown will have powerful effect on the cost/push inflationary pressures in the economy.

"We see unemployment rising to just below 2m by the end of the year," he said. "This will relieve pressure on the labour market and take the heat off earnings growth."

Mr Michael Hughes at BZW also foresees a sharp slowdown this year, with domestic demand growth rising slower than supply potential for the first time in seven years. This is good for the trade balance ("we think it will improve dramatically through the year") and inflation.

The interesting aspect of the forecasts produced by the six securities houses is that in the fourth quarter of this year the underlying rate of inflation, the retail prices index excluding the effects of mortgage interest payments, crosses the all items measure of inflation.

The average of expectations is for fourth quarter inflation to be 5.3 per cent, while the underlying rate remains at a 5.8 per cent – a forecast unlikely to cheer Mr John Major, the Chancellor.

Mr Peter Spencer, economist at Shearson Lehman Hutton, sees little in the economy this year to give the gilt-edged market much cheer. Although output will remain resilient, mainly due to export growth, the monthly trade figures by value will become progressively battered as the effects of last year's depreciation feed through, and "by an horrendous build up of interest, profits and dividends debits to fund the hot money" that sustains the current account.

"The labour market will remain tight; the level of unemployment will stabilise rather than rise," he said. "Gilts have a recession priced into the yield curve and are looking for base rates of 12 per cent by the end of the year; it won't happen."

There is a growing belief in the market that 1990 will witness the beginnings of a turnround in the Government's finances.

For Mr John Shepperd, economist at Warburg Securities, a key theme of this year will be the end of the Bank's buying in of gilts.

"The buy-in left the market overvalued but the perception of its end has not caused yields to rise," he said. "Two things could explain this: people don't realise or believe the buyin has ended; or, that the prospect of a sharp recession has lead them to stay in the market awaiting better levels. I suspect it is the latter."

Mr Anthony and Mr Shepperd believe the market could be offered a tap issue of stock by the end of the year; Mr Bootle that, by the summer, the market will become increasingly aware of the disappearance of the buy-in programme and the prospect of issuance brought about by the twin effects of further large increases in public spending and large tax cuts in the 1991 Budget.

But there are some agnostics in the analytical community who think that reports of the immanent revival of the gilt market are exaggerated.

One such is Mr Gavyn Davies, chief UK economist at Goldman Sachs International,

'The phenomenal influence and power of the Bank of England's buy-back programme suppressed the normal behaviour of the market'

believes that the "stickiness" of the Government's Budget surplus will surprise the market this year.

"You can only credibly argue that the surplus will disappear if you can make a credible case for a rise in personal savings," he said.

"Personal savings fell because individuals altered their behaviour when borrowing was deregulated. That process has not ended, let alone reversed.

"The surplus will be harder to get rid of that the Treasury assumed in the medium term financial strategy. Real Government spending growth will remain below or in line with real gains in output; tax cuts will only be an option when the balance of payments constraint eases. Mr Major will opt for cuts in interest rates rather than taxation."

The new Chancellor has shown himself to be astute but cautious in his comments on the economy. He has talked mainly of broad objectives and allowed himself the room to fine-tune his way towards them, always mindful of the politics.

Mr Major seems likely to stick with M0, the narrow measure of the money supply, as his principal monetary indicator, maintaining, as his predecessor did, that he does not see any virtue in taking M4, the broad monetary aggregate, very seriously until we understand why it has misbehaved so.

THE securities houses surveyed here produced forecasts for 1989 and some are deserving of an award. The overall winner was determined by summing the total deviation from the outturn for December. The securities house with the lowest score won.

Therefore, the Sir Alan Walters Award for Fully-Baked Forecasting goes to UBS Phillips & Drew. P&D's score was 3.83, nearly half the next best, Warburg at 6.63. Honourable mention is due Shearson Lehman Hutton which forecast the first half of 1988 extremely well.

The Nigel Lawson "Judge and Jury" Award for Inflation Forecasting is shared by BZW and Goldman Sachs.

Simon Holberton

THE GILT-EDGED MARKET IN 1990

	BZW	Greenwell	Goldman	P&D†	Shearson	Warburg	Average
Retail Prices Index							
March	7.3	7.8	7.5	7.7	7.4	7.6	7.5
June	6.2	7.5	7.0	7.3	6.8	7.5	7.0
Sept	5.2	7.2	6.5	6.2	6.2	6.8	6.4
Dec	4.5	5.8	5.6	4.7	5.5	5.9	5.3
RPI (excl mips*)							
March	6.0	6.2	6.2	6.4	6.5	6.2	6.3
June	5.5	6.8	6.4	6.3	6.0	6.4	6.2
Sept	5.5	6.7	6.6	5.6	6.3	6.3	6.1
Dec	5.2	5.3	6.4	6.2	5.9	6.0	5.8
Base rates							
March	14.0	14.0	15.0	15.5	15.0	15.0	14.75
June	13.0	14.0	15.0	14.5	14.5	15.0	14.50
Sept	12.0	14.0	14.0	13.5	13.5	14.0	13.60
Dec	11.0	13.0	12.5	12.5	13.5	13.0	12.50
Long gilt yields◆							
March	9.75	9.5	9.5	9.5	9.6	9.75	9.63
June	9.50	9.5	9.2	9.4	9.6	10.0	9.58
Sept	9.25	9.2	9.2	9.3	9.6	10.0	9.42
Dec	9.25	9.0	9.2	9.2	9.5	10.0	9.36

Notes: †UBS Phillips & Drew. *mortgage interest payments [illegible]

Israel moves closer to selling off bank stakes

By Hugh Carnegy in Jerusalem

THE Israeli Government's stop-go attempts to sell off its majority – but non-controlling – holdings in the country's leading banks appear to have made a significant advance following an agreement with Israel Discount Bank on terms for its disposal.

The Finance Ministry, through the state-owned company acting as its agent in the bank share question, signed a deal on Sunday with the Recanati family of Tel Aviv, founders and controllers of IDB, allowing for equalisation of voting rights and the subsequent sale of a controlling share of the group, Israel's third largest financial concern, through a competitive bid.

It should allow the Government at last to make progress towards disposing of its bank shareholdings acquired at an ultimate cost of $7bn – but without full voting rights – to bail out the banks in 1983 after a collapse in their share prices. To date, the controlling ownerships have fought a determined rearguard action against the Finance Ministry's efforts to, in effect, unseat them.

The Recanatis, who at present control less than 10 per cent of IDB equity against more than 68 per cent held by the Government, apparently decided to do a deal when it became clear that the Government was serious about passing legislation forcing a one-share, one-vote system on all the banks.

They gave up their previous demand of the right to first refusal in any sale of Government equity. But compensation in the form of an additional 3 per cent of IDB stock should give the Recanatis the edge when they bid for the 26-51 per cent tranche the Government intends selling privately to the highest bidder in the next few months.

The Finance Ministry has agreed later to sell 10 per cent to IDB employees and offer up to 25 per cent to the public.

The agreement is not ideal for the Government. The IDB group, which includes the bank and a large investment arm and is reckoned to be worth $600m.

Koor fails to meet interest deadline

By Hugh Carnegy in Jerusalem

KOOR INDUSTRIES, the beleaguered Israeli group, has announced it was unable to meet its latest bi-annual interest payment of $6.2m due to holders of $105m of bonds issued in the US when it fell due yesterday.

Under the terms of the bonds, issued through Drexel Burnham Lambert and due for redemption in 1996, Koor has 30 days to make the payment to avoid defaulting. But Koor officials said the inability to pay on schedule was a signal to its creditors and to the Israeli Government that the company, the country's biggest industrial group, requires urgent help if it is to survive debts of almost $1bn which it says it cannot service.

Both Koor's creditor banks and the Government, weary of the group's prolonged slide towards insolvency, have reacted cautiously to the appeal for a combination of write-offs and state aid to keep it going.

Mr Shimon Peres, the Finance Minister, has rejected taking on Koor equity from the group's owner, the Histadrut trade union federation, but is considering a request for $50m in some form of aid on top of $50m pledged last year.

He is unlikely to accede except in the context of a recovery package agreed with the Histadrut, Koor management, employees and creditors.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday December 29,1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights December 28,1989 [illegible]

Abbreviations: [illegible]

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4365/3.

Friday December 29,1989

UK COMPANY NEWS

YJ Lovell critical of constructor's final defence

Higgs and Hill raises forecast to £26.5m

By Andrew Bolger

YJ LOVELL yesterday criticised the increased profits forecast and property revaluation produced by Higgs and Hill, the rival construction group for which Lovell is making a hostile bid of £132m.

In it final defence document, Higgs said it would boost its dividend by 67 per cent and pre-tax profits would increase by 6 per cent to £26.5m.

A valuation by surveyors Jones Lang Wootton put Higgs's property and housing assets at £184m, which adds 57p after tax to net asset value.

Higgs also said four major developments, assuming planning permission was obtained, would be worth £29.5m, adding 50p after tax to net asset value.

"Taken together the valuation comes out at a net asset value after tax of 423p per share, compared to Lovell's cash and paper offer of 405p a share. Higgs shares closed on Friday at 455p.

It seems certain that Lovell will have to increase its offer for Higgs before Friday's deadline if it is to win control. Mr Andrew Wassell, Lovell's chief executive, said yesterday only that his board would consider the position and make a statement by Friday.

Lovell said of the Higgs development projects valued at £29.5m: "The so-called 'additional value' of 57p is not real; it does not exist today; it may come in the future. At what rate will shareholders discount this intangible hope value?"

Sir Brian Hill, chairman of Higgs, countered that the group had singled out only four of its many ongoing projects, and prospects for the schemes going ahead were very good. He expected three of them to achieve full planning permission within the next 12 months and the remaining one within a further six months.

Higgs has for the first time given a profits breakdown by division. Housebuilding slumped, with housing completions down from 550 units in 1988 to 272 in 1989. The homes division is forecast to make £7.1m this year, representing only 26 per cent of group profits.

Property development was the most profitable at £11.9m (43 per cent) with the construction division responsible for £8.7m (31 per cent).

Lovell said the Higgs figures might be concealing as many as 250 completed houses which it could not sell. Higgs said it did not have that figure available, but insisted that its position with regards to unsold houses would be no worse than Lovell's.

Sir Brian urged Lovell to reveal how its housebuilding had fared since the company's year-end in September.

In addition to the net asset valuation of 423p per share for its housebuilding and property divisions, Higgs said its construction division would earn £8.7m pre-tax in 1989, giving earnings per share of 17p in 1989, which would value it at 187p per share on a multiple of 11.

Higgs said that a quarter of its property division's profits this year would come from France, and it was continuing to expand in Europe.

Its order book as it entered 1990 was worth over £500m – the highest level ever.

Sir Brian said: "No-one takes the Lovell offer seriously, least of all the market. The value we have demonstrated shows precisely why."

Rowland-Jones re-elected as director on Bremner board

Mr James Rowland-Jones was re-elected as a director of Bremner, the Glasgow-based stockbroker and property developer, at Friday's annual general meeting. He had returned as chairman of Bremner in June, 17 months after being voted out.

Nearly 4.82m shares were voted in favour of Mr Rowland-Jones remaining on the board and 3.02m against, the narrowest margin of any of the directors standing for election. Mr David Rees was approved by a vote of 4.9m to 2.94m and Mr Freddie Fisher by 4.93m to 2.91m.

A resolution calling for the removal from the board of Mr Dennis McGuinness, Mr Rowland-Jones's long-time rival at Bremner, was not put to the meeting. On Thursday, Mr McGuinness had secured an interim interdict in the Court of Session in Edinburgh preventing the motion from being put.

Mr Rowland-Jones said afterwards, however, that the board had received a similar level of support for this motion as it had for the re-election of the other three directors. Mr McGuinness, a former chairman of Bremner, is a director of Carswell, its stockbroking subsidiary.

Finance director quits Northamber

Mr Jonathan Woolley, finance director of Northamber, the Surrey-based supplier of computers, printers and peripheral products, has resigned from the company.

Mr David Phillips, chairman, and Mr Allan Pratt, company secretary, will be responsible for the financial affairs of the company until a replacement is recruited.

Mr Phillips recently acquired a further 5,664 ordinary shares in Northamber, lifting his holding to 8.68m (48.43 per cent). Mr H Matthews, a board member, has raised his interest to 472,002 ordinary (2.63 per cent).

COMPANY NEWS IN BRIEF

ELSWICK: Open offer to shareholders resulted in 33.58m (59 per cent) shares being placed with institutional and other investment clients of Albert E Sharp.

JEYES GROUP says its rights issue was taken up in respect of 97 per cent of the 3.24m shares offered.

MAXWELL CORPORATION has completed the secondary offering of existing shares in Japan. A total of 30m shares were offered at 232.7p.

THIRD MILE Investment has bought freehold interests in two commercial properties in Corby, Northants, for £1.4m, met by the issue of 848,485 ordinary shares at 165p. Vendor was Allied Partnership Group, which now owns 1.56m shares in Third Mile (48.25 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- First National Finance.

Finals- Kleinwort Benson Gilt Fund.

FUTURE DATES

Interims-

Wyko .... Jan. 10

Finals-

Alexanders Holdings .... Jan. 10

SHARE STAKES

Changes in company share stakes announced recently included:

Acatos and Hutcheson: Scottish Amicable Investment Managers has sold 78,000 ordinary, bringing its holding below the notifiable percentage (now 4.99 per cent).

Carlton Communications: Mr Michael Green has sold 1.3m ordinary shares at 820p per share and has ceased to be interested in that number of shares.

Castings: BJ Cooke, director, transferred 106,380 shares to his children for 198p per share, reducing beneficial holding to 449,757 (4.36 per cent).

Clarke Hooper: Provident Mutual has increased its holding to 770,000 ordinary (5.1 per cent).

Cloggs Gold: UTC Group now holds a total of 4.48m 'A' ordinary shares (6.04 per cent).

Equity Consort: NM Rothschild (CI) purchased 5,000 deferred shares (0.2 per cent) bringing total holding to 492,500 (22.75 per cent). Shares registered in the name of Old Court. Including 195,000 ordinary shares already held, NM Rothschild (CI) controls 15.88 per cent of the Equity Consort voting capital.

Ferromet Group: UTC Group has disposed of 4.48m 'A' ordinary (6.04 per cent), its total holding of that class of share. It continues to be beneficially interested in 22.95m ordinary (17.86 per cent).

Formminster: Henry Bronstein, the managing director, sold 90,000 shares at 335p; holding now 450,000 (15.88 per cent).

Fundinvest: Kleinwort Benson Investment Management has acquired 10,000 capital shares in company bringing total holding to 880,310 capital shares (9.18 per cent).

Garton Engineering: Company has been notified of a sale of 30,000 ordinary shares by Fleming Claverhouse Investment Trust as a result of which Robert Fleming Holdings' interest now comprises 290,001 ordinary.

Hanover Druce: SA Goldstein has acquired 10,000 ordinary and now holds 443,035 (7.2 per cent). The shares are registered in the name of Birmingham Beagles.

Michael Green, chairman of Carlton Communications.

Hazlewood Foods: Francis Lee, a director, has disposed of 60,000 ordinary at 246p each. Following this transaction Mr Lee now holds 3,933,284 ordinary.

Hornby Group: Kleinwort Benson Investment Management holds 416,637 ordinary (5.13 per cent) on behalf of discretionary clients. Mercury Asset Management has acquired 10,000 Hornby ordinary and now owns 1.62m (20 per cent).

Hunterprint Group: Scottish Amicable Investment Managers holds 1.26m ordinary (6.47 per cent).

Invicta Sound: Radio Investments has acquired 120,000 ordinary, raising its stake to 905,500 (10.47 per cent).

Leisure Investments: Cuffroy, a subsidiary of Bear Brand, has purchased 1.25m ordinary at 27.5p each and a further 1.26m at 28.25p each.

Northamber: Mr D Phillips, chairman, purchased 5,664 ordinary at 134p lifting his holding to 8.68m (48.43 per cent). Mr H Matthews, director, also purchased 5,664 ordinary at the same price and now holds 472,002 ordinary (2.63 per cent).

Overseas Investment Trust: Britel Fund Nominees now holds 1.95m (5.209 per cent) ordinary and Fossfund Nominees 1.4m (3.74 per cent). Schroder Investment Management is managing portfolios which have an aggregate interest in 4.67m ordinary 12.47 per cent.

Pacific Property Investment Trust: Aberdeen Trust has acquired 700,000 shares bringing holding to 2.79m (13.95 per cent).

Paragon Communications: Christopher Giroler sold 200,000 at 118p and holds 381,275 (7.02 per cent).

Sanders and Sidney: Framlington Group sold 20,000 ordinary and reduced holding to 1m (12.88 per cent).

Shandwick: British Rail Pension Trustee now owns 5.685m ordinary (7.7 per cent).

Sommerville (William): IEP Securities is the beneficial owner of 160,300 shares (25.04 per cent).

Strong and Fisher: Mr RJ Strong, a director, has disposed of 70,000 ordinary (0.5 per cent). His total holding is now 13.66 per cent – 1.86m beneficial and 698,100 non-beneficial. The shares are registered in the name of Camard Investments.

Upton Southern Holdings: Henderson Special Situations Unit Trust has acquired 376,650 ordinary. Total holding is now 376,650 (5.3 per cent). Shares are registered in the name of the Midland Bank Trust Company.

GRANVILLE

SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change on week	Gross div (p)	Yield %	P/E
8005	Ass. Brit. Ind. Ord	337	0	10.3	3.1	9.1
625	Armitage and Rhodes	25	0	—	—	—
19338	Bardon Group (SE)	174xd	+6	4.3	2.5	16.9
18848	Bardon Group Cv. Pref. (SE)	108	+6	6.7	6.2	—
4718	Bray Technologies	78	+8	5.9	7.6	6.9
	Bramhill Conv Pref	60	0	11.0	12.2	—
	Bramhill 8¼ New C.C.R.P	99	0	11.0	11.1	—
1178	CCL Group Ordinary	310xd	0	14.7	4.7	3.8
2163	CCL Group 11% Conv Pref	173	0	14.7	8.5	—
16740	Carlo Plc (SE)	210	0	7.6	3.6	12.4
770	Carlo 7.5% Pref (SE)	110	0	10.3	9.4	—
	Magnet Go Non Voting A Crv*	1.5oxd	0	—	—	—
	Magnet Go Non Voting B Crv*	0.75oxd	0	—	—	—
9556	Isis Group	120	0	8.0	6.7	6.9
23189	Jackson Group (SE)	108	0	3.6	3.3	12.6
21833	Multihouse N.V. (AmstSE)	280	0	—	—	—
1510	Robert Jenkins	148xd	0	10.0	6.8	5.4
17760	Scruttons	233	0	18.7	4.0	9.8
9242	Torday & Carlisle	299	0	9.3	3.1	10.4
	Torday & Carlisle Conv Pref	104	0	10.7	10.3	—
3227	Trevian Holdings (USM)	75xd	-5	2.7	3.7	8.1
	Unisured Europe Conv Pref	160	0	9.3	5.8	—
5858	Veterinary Drug Co. PLC	355	0	22.0	6.2	9.4
6832	W. S. Yeates	505	0	16.2	3.2	25.4

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The ISE. Other securities listed above are dealt in subject to the rules of TSA. These securities are dealt in strictly on a matched bargain basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities.
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FINANCIAL TIMES STOCK INDICES

	Dec 29	Dec 28	Dec 27	Dec 22	Dec 21	Dec 20	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.29	84.16	84.26	84.49	84.49	84.45	89.29	82.93	127.4	49.18
Fixed Interest	92.52	92.53	92.67	92.67	92.67	92.41	99.59	92.02	105.4	50.53
Ordinary	1916.6	1896.2	1896.9	1868.2	1858.8	1866.0	2008.6	1447.8	2008.6	49.4
Gold Mines	309.1	314.9	311.1	312.9	315.0	313.1	317.8	154.7	734.7	43.5
FT-Act All Share	1204.70	1193.66	1191.52	1177.11	1173.40	1176.10	1225.80	921.22	1238.57	61.92
FT-SE 100	2422.7	2398.6	2395.8	2362.0	2353.0	2360.7	2426.0	1782.8	2443.4	986.9

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OTHER UK UNIT TRUSTS

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INSURANCES

[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
Mercury Life Assurance Co Ltd				
33 King William St, London EC4R 9AS 01-280 2800				
Portfolio	54.1	56.9	–	47512
International	51.5	54.1	–	47509
UK Equity	49.2	51.7	–	47515
British Blue Chip	52.6	55.4	–	47505
Recovery	42.7	44.9	–	47514
UK Smaller Cos	43.2	45.4	–	47517
UK Income	49.2	51.7	–	47516
American	52.9	55.7	–	47504
Japanese	52.6	55.4	–	47510
Pacific Basin	57.8	60.8	–	47511
European	57.6	60.6	–	47507
Fixed Interest	49.5	52.2	–	47508
Property	50.6	53.2	–	47513
Bldg Society & Dep.	50.6	53.2	–	47506
Midland Life Limited				
Norwich Hse Commercial Rd, Southampton 0703 229929				
Adventurous Fd	61.2	64.5	–	46097
Balanced Fd	58.4	61.5	–	46098
Defensive Fd	56.3	59.3	–	46099
Secure Fd	53.8	56.7	–	46100
UK Equity Fd	66.5	70.0	–	46101
International Fd	63.1	66.5	–	46102
Money Market Fd	54.6	57.5	–	46103
Fixed Interest Fd	51.6	54.4	–	46104
NEL Britannia Assce Co Ltd				
Milton Court, Dorking, Surrey 0306 887766				
Capital Growth	140.0	147.4	–	43035
Managed Income	119.8	126.1	–	43036
Cap Gwth Ser B	125.5	132.1	–	46330
Mngd Income Ser B	111.2	117.1	–	46331
NBA UT Portfolio	119.9	119.9	–	43047
NEL Britannia Assce Co Ltd—Contd.				
Masterclass				
Managed Bldg Soc	102.8	108.2	–	47140
MIM Brit Mgd Eastern	119.1	125.4	–	47141
Barings Mgd American	96.4	101.5	–	47142
Fidelity Mgd Euro	131.0	137.9	–	47143
Gartmore Mgd U K	104.5	110.0	–	47144
Mathieson Mgd Global	105.1	110.6	–	47145
New Era Pensions				
Mgd Gilt Edged Fd	107.6	107.6	–	46387
Mgd Bldg Soc Fd	118.9	118.9	–	46388
Mgd Currency Fd	119.5	119.5	–	46389
Deposit Fd	119.5	119.5	–	46390
MIM Brit Mgd P'folio	133.7	133.7	–	46391
Barings Mgd P'folio	115.0	115.0	–	46392
Fidelity Mgd P'folio	126.2	126.2	–	46393
FT Mgd P'folio	120.3	120.3	–	46394
Gartmore Mgd P'folio	126.0	126.0	–	46395
Henderson Mgd P'folio	144.1	144.1	–	46396
Mathesons Mgd P'folio	132.9	132.9	–	46397
Perpetual Mgd P'folio	136.0	136.0	–	46398
Royal Tst Mgd P'folio	117.2	117.2	–	46399
MIM Brit Exempt Tst	122.5	122.5	–	46400
Equity Screening	99.7	99.7	–	46401
Shareholder				
Deposit	122.5	128.9	–	43037
Gilt	119.7	126.0	–	43038
Property	118.8	125.1	–	43039
Broker Managed				
Linda Lines Pr Mgd	124.6	124.6	–	46105
Baker Reeve Mgd	110.8	110.8	–	46485
Lebow-Green Prv Mngd	116.4	122.5	–	46747
PAM Global Growth	107.5	107.5	–	47609
Universal Plus Bond	136.9	136.9	–	–
NEL Pensions Ltd				
Milton Court, Dorking, Surrey 0306 887766				
Multichoice Funds				
MIM Brit Mngd P'folio	114.2	120.2	–	43051
Do. Accum	140.1	147.5	–	43052
Royal Tst Mgd P'folio	90.0	94.7	–	43053
Do. Accum	110.5	116.3	–	43054
Henderson Mngd P'folio	118.3	124.5	–	43055
Do Accum	143.6	151.2	–	43056
Perpetual Mngd P'folio	104.7	110.2	–	43057
Do. Accum	128.7	135.5	–	43058
Gartmore Mngd Fund	100.2	105.5	–	43059
Do. Accum	123.1	129.6	–	43060
MIM Brit Exempt Mngd	124.5	131.1	–	43061
Do. Accum	153.0	161.1	–	43062
Cash Fund	107.4	113.1	–	43063
Do. Accum	132.1	139.0	–	43064
MIM Brit Grt Eastern	111.6	117.5	–	47146
Do Accum	115.0	121.1	–	47147
Mor Gren Wrld Track	100.3	105.6	–	47148
Do. Accum	103.5	108.9	–	47149
Fidelity Mngd P'folio	100.3	105.6	–	47519
Do. Accum	102.3	107.7	–	47518
NM Life Assurance Ltd				
Enterprise House, Portsmouth 0705 827733				
American	282.2	297.0	–	43083
Australian	323.5	340.5	–	43084
CCM Vanguard Mngd	493.0	518.9	–	43085
Conscience	106.3	111.8	–	46107
Deposit	249.0	262.1	–	46108
Equity	104.8	110.3	–	43086
European	404.7	426.0	–	43087
Extra Income	163.4	172.0	–	46109
Far Eastern Growth	243.6	256.4	–	43088
Fixed Interest	353.1	371.6	–	43089
Gilt & Fixed Int	186.9	196.7	–	46110
Gold	91.8	96.6	–	43091
Income Accum	543.0	571.5	–	43092
Income Dist	420.0	442.1	–	46111
International	314.5	331.0	–	43093
Japan Smllr Co's	505.1	531.6	–	43094
Managed	515.4	542.5	–	43095
Property	412.8	434.5	–	43096
Residential Property	105.1	110.6	–	43097
Singapore & Malaysian	222.1	233.7	–	43098
Smaller Companies	389.8	410.3	–	43099
Special Sits	131.4	138.3	–	46112
Tokyo	633.5	666.8	–	43100
Universal Managed	115.0	121.0	–	–
UK Equity	458.1	482.2	–	43101
US Smllr Cos	105.5	111.0	–	46113
Pens AES Mngd	682.7	718.6	–	46114
Pens American	309.1	325.3	–	43102
Pens Australian	456.6	480.6	–	43103
Pens CCM Vanguard	218.4	229.8	–	43104
Pens Conscience	113.4	119.3	–	46115
Pens Deposit	185.2	194.9	–	46116
Pens Equity	770.2	810.7	–	43105
Pens European	298.6	314.3	–	43106
Pen Far East Gwth	315.6	332.2	–	43107
Pen Fixed Interest	338.1	355.8	–	43108
Pens Gold	103.5	108.9	–	43110
Pens Income Acc	296.4	312.0	–	43111
Pens International	209.0	220.0	–	43112
Pens Japan Smllr Cos	721.5	759.4	–	43113
Pens Managed	1542.6	1623.7	–	43114
Pens Property	417.3	439.2	–	43115
Pens Residentl Prop	112.0	117.8	–	43116
Pens S'pore & Malay	281.9	296.7	–	43117
Pens Smaller Cos	187.4	197.2	–	43118
Pens Spec Sits	197.4	207.7	–	46117
Pens Special Exempt	374.6	394.2	–	43119
Pens Tokyo	841.6	885.7	–	43120
Pens Universal Mngd	125.8	132.4	–	–
Pens UK Equity	569.2	599.3	–	43121
Pens US Smllr Cos	134.8	141.5	–	46118
Prices Life Series 4 Acc. Pension Series C Acc Dec 29				
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3HJ 0296 395539				
Life Funds				
Managed Cautionary	106.3	111.9	–	47150
Managed Growth	144.4	152.0	–	47151
Managed Opportunity	148.6	156.5	–	47152
NFMC Target Financial	109.4	115.2	–	47153
Pension Funds				
Managed Cautionary	110.6	116.5	–	47154
Managed Growth	149.9	157.8	–	47155
Managed Opportunity	154.2	162.4	–	47156
NFMC Target Mngd Pen	1616.2	1701.3	–	47157
National Mutual Life				
The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422				
Managed Fund	231.0	243.2	–	43122
Managed Prospect Fund	193.7	203.9	–	43123
Pens Managed	296.3	311.9	–	43128
Pens UK Equity	351.3	371.9	–	43129
Pens Overseas Equity	420.2	421.1	–	43130
Pens Property	173.5	182.7	–	43131
Pens Fixed Interest	183.7	193.4	–	43132
Pens Index Linked	149.7	157.6	–	43133
Pens Deposit	185.7	195.5	–	43134
Harvester & P.R.P.				
UK Equity	154.3	162.5	–	43135
Overseas Equity	143.1	150.7	–	43136
Fixed Interest	125.4	132.1	–	43137
Property	144.4	152.0	–	43138
Index Linked	135.8	143.0	–	43139
Deposit	128.9	135.5	–	43140
Managed	149.1	157.0	–	43141
With Profits	132.7	139.7	–	43142
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	359.9	378.9	–	43163
UK Equity	460.8	485.1	–	43164
Overseas Eq	373.3	393.0	–	43165
American	282.8	297.7	–	43166
Far East	437.7	460.8	–	43167
Property	222.3	234.1	–	43168
Fixed Int	226.8	238.8	–	43169
Indexed Gilt	141.6	149.1	–	43170
Deposit	157.2	165.5	–	43171
Pension Fund (Accum Units)				
Managed	480.2	505.6	–	43173
UK Equity	565.0	594.8	–	43175
Overseas Ed	597.4	628.9	–	43177
American	374.1	393.9	–	43179
Far East	724.0	762.2	–	43181
Property	272.4	286.8	–	43183
Fixed Int	271.6	285.9	–	43185
Indexed Gilt	153.4	161.6	–	43187
Deposit	209.3	220.6	–	43189
NPI Pensions Management Ltd				
Managed Fund	1089.2	1108.7	–	43190
Prices December 1 Next dealing January 3				
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	67.5	71.1	–	43191
Stock Market Mngd Fund	66.6	70.1	–	43192
Equity Fund	70.0	73.7	–	43193
International Fund	64.6	68.0	–	43194
European Fund	71.4	75.1	–	43195
North American Fund	60.4	63.5	–	43196
Pacific Fund	74.9	78.9	–	43197
Property Fund	65.2	68.6	–	43198
Fixed Interest Fund	53.7	56.5	–	43199
Index linked Sec Fund	59.0	62.1	–	43200
Deposit Fund	60.0	63.2	–	43201
NUAM Retirement Plan				
Mixed Fund	73.5	77.4	–	43202
UK Ordinary Share Fd	81.5	85.7	–	43203
International Fund	70.4	74.1	–	43204
Property Fund	83.8	88.2	–	43205
Fixed Interest Fund	61.5	64.8	–	43206
Index Linked Sec Fund	61.5	64.8	–	43207
Deposit Fund	68.0	71.6	–	43208
NUAM IMF				
Managed Fund	955.3	1005.6	–	43209
Equity Fund	1935.5	2035.1	–	43210
International Fund	170.2	179.2	–	43214
Property Fund	537.8	566.2	–	43211
Fixed Interest Fund	401.6	422.8	–	43212
Index Linked Sec Fund	60.0	63.2	–	43215
Deposit Fund	246.3	259.3	–	43213
Norwich Union Life Insurance Soc.				
Surrey Street, Norwich NR1 3NG 0603 622200				
Unitised Life				
With Profits Fd	97.31	102.44	–	47620
Managed Fd	96.25	101.26	–	47615
UK Ord Share Fd	95.00	100.00	–	47619
International Fd	99.45	103.63	–	47613
European Fd	103.04	108.47	–	47611
North American Fd	93.34	98.25	–	47616
Pacific Fd	99.12	104.34	–	47617
Property Fd	97.76	102.91	–	47618
Fixed Int Fd	95.16	100.17	–	47612
Intl Bond Fd	97.67	102.81	–	47614
Deposit Fd	97.06	102.17	–	47610
Unitised Pensions				
With Profits Fd	125.11	131.70	–	43216
Managed Fd	148.56	156.38	–	43217
UK Equity Fd	150.72	158.65	–	43218
International Fd	167.13	175.92	–	43219
European Fd	166.81	175.58	–	43220
North American Fd	156.82	165.08	–	43221
Pacific Fd	147.58	155.34	–	43222
Property Fd	152.34	160.36	–	43223
Fixed Int Fd	108.95	214.68	–	43224
Intl Bond Fd	127.01	133.69	–	43225
Bldg Soc Dep Fd	118.63	124.87	–	43226
[illegible]				
Mixed Fund	400.4	421.5	–	43233
Ordinary Share Fund	578.6	609.1	–	43229
International Fund	174.9	184.1	–	43230
Property Fund	256.3	271.9	–	43231
Fixed Interest Fund	306.8	322.9	–	43227
Index-Linked Sec Fund	173.5	182.6	–	43228
Deposit Fund	335.0	353.2	–	43232
Norwich Units Oct 13		948.04	–	43234
*Prices as at December 19				
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop. Dist. (Gross)	179.1	186.6	–	43235
Prop Acc (Gross)	306.3	322.5	–	43236
Equity (Gross)	825.7	863.9	–	43237
Managed (Gross)	579.2	609.7	–	43238
Prop Acc (Net)	140.0	147.4	–	43239
Equity (Net)	187.5	197.3	–	47240
Managed (Net)	174.8	184.0	–	43241
International (Net)	170.2	179.1	–	43242
Gilt & Fxd Interest	107.2	112.9	–	43243
Money Fund	111.5	117.4	–	43244
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man Series 1)	571.3	601.4	–	43245
Ret Man Series 2)	197.8	208.1	–	43246
Ret Man (Series 3)	128.7	128.7	–	46462
Ret Cash	145.9	153.5	–	43247
Ret Cash (Series 3)	120.6	120.6	–	46463
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	466.8	491.5	–	43248
Eb'r Ph. Eq	384.2	404.1	–	43249
Pension Plan Funds				
Phoenix				
UK Equity Acc	219.5	231.3	–	43250
International Acc	194.2	204.1	–	43251
Property Acc	133.9	140.4	–	43252
Fixed Interest Acc	168.3	177.1	–	43253
Money Acc	167.2	175.9	–	43254
Bldg Soc Link Acc	163.9	172.5	–	43255
Special Mngd Acc. C	191.4	201.6	–	43256
Phoenix/Framlington				
Intnl. Growth Acc	117.8	123.9	–	43257
Am Smlr Cos Acc	112.1	118.0	–	43258
Capital Tst Acc	186.1	195.8	–	43259
Japan & Gen Acc	290.0	305.2	–	43260
American Turn Acc	126.2	132.8	–	43261
Recovery Tst Acc	212.3	223.4	–	43262
Special Mngd Acc	193.0	203.1	–	43263
Phoenix/GT				
International Acc	184.3	194.0	–	43264
US & General Acc	122.2	128.6	–	43265
Amer Spec Sits Acc	93.32	98.23	–	43266
Japan & General Acc	305.4	321.4	–	43267
Far East & Gen Acc	244.1	256.9	–	43268
UK Capital Acc	218.5	230.0	–	43269
European Acc	258.8	272.4	–	43270
Special Mngd Acc	183.4	193.0	–	43271
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd N, Waterloo, Liverpool 051-928 6655				
Managed Fund	326.2	343.4	–	43272
Man Pens Inc & Cap Fd	440.3	463.5	–	43273
Money Fund	115.0	121.0	–	43274
Pens Mngd Fd (Init)	119.0	125.3	–	43275
Pens Mngd Fd (Acc)	148.9	156.8	–	43276
Pens FTSE Fd (Init)	153.1	161.2	–	43277
Pens FTSE Fd (Acc)	191.5	201.8	–	43278
Pens O'seas Mgd Fd (Init)	83.6	88.0	–	43279
Pens O'seas Mgd Fd (Acc)	104.6	110.1	–	43280
Pens Fxd Int Fd (Init)	105.5	111.1	–	43281
Pens Fxd Int Fd (Acc)	131.9	138.9	–	43282
Pens Deposit Fd (Init)	108.9	114.7	–	43283
Pens Deposit Fd (Acc)	136.2	143.4	–	43284

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	Yield Gross	Cityline
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	117.0	124.0	–	43285
Building Soc. Fd	178.0	188.0	–	43286
Balanced	291.0	307.0	–	43287
European	208.0	219.0	–	43289
GT Managed	195.0	206.0	–	43290
Gartmore Mngd	130.0	137.0	–	43291
German	177.0	187.0	–	43292
Gilt	172.0	182.0	–	43293
Global	48.0	51.0	–	46834
High Inc	103.0	109.0	–	43294
International Equity	208.0	219.0	–	43295
Japan	293.0	309.0	–	43296
Managed	58.0	62.0	–	43297
Property	310.0	327.0	–	43298
R. W. Imperial Gold	152.0	160.0	–	43299
UK Equity	323.0	340.0	–	43300
Pension Funds				
American	150.0	158.0	–	43301
Building Soc. Fd	183.0	193.0	–	43302
Balanced	227.0	239.0	–	43303
European	208.0	219.0	–	43305
German	157.0	166.0	–	43308
Gilt	153.0	162.0	–	43309
International Equity	147.0	155.0	–	43310
Japan	148.0	156.0	–	43311
Managed	66.0	70.0	–	43312
Property	239.0	252.0	–	43313
UK Equity	311.0	328.0	–	43314
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	96.83	102.34	–	42263
Pensions Cash Fund	83.10	87.47	–	42264
Prolific Life & Pensions Ltd				
Stramongate, Kendal, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	630.2	664.1	–	43315
Adventurous Mngd	138.3	145.8	–	46402
Secure Mngd	112.6	118.7	–	46403
Cash Fd	243.7	256.8	–	43316
Property Fund	300.9	317.1	–	43317
Equity Fund	721.9	760.7	–	43318
Fxd Int. Fund	295.4	310.9	–	43319
International	345.2	367.3	–	43320
High Income	466.4	496.2	–	43321
Far East	469.4	499.4	–	43322
North American	293.6	312.4	–	43323
Special Sits	640.4	681.3	–	43324
Technology	270.4	287.3	–	43325
Extra Inc Fd	283.3	301.4	–	43326
Convertible & Gilt Fd	155.6	165.6	–	43327
American Income	138.8	147.8	–	43328
Gilt Fund 20	303.6	323.0	–	43329
European Fund	120.1	127.8	–	43330

	Bid Price	Offer Price	Yield Gross	Cityline
Prudential Holborn Pensions Ltd—Contd.				
Guaranteed	13.81		–	43531
International Money	213.1	224.4	–	43532
North American	79.0	83.2	–	43533
Japanese	166.4	175.4	–	43534
European	118.3	124.6	–	43535
Special Situations	114.0	120.1	–	43536
Communications	102.0	107.4	–	43537
Smaller Companies	107.8	113.5	–	43538
International Small Cos	144.6	152.3	–	46859
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Dec 20	£166.14	171.32	–	43539
Equity Dec 20	£177.37	183.61	–	43540
International Dec 20	£29.60	30.47	–	43541
Intl Bond Dec 20	£12.90	13.07	–	43542
Fixed Int Dec 20	£75.28	76.12	–	43543
Index Linked Dec 20	£65.47	66.30	–	43544
Property Dec 20	£116.68	121.55	–	43545
Cash Dec 20	£22.4218	22.4218	–	43546
Pre-Linked Retirement Plan				
Managed Dec 26	398.7	415.4	–	43547
Cash Dec 26	210.6	219.4	–	43548
Prudential Pensions Investment Account				
Pens Mngd Dec 28	162.4	174.7	–	43549
Pens UK Eq Dec 28	302.7	326.8	–	43550
Pens Intl Dec 28	209.3	225.2	–	43551
Pens Fixed Dec 28	172.7	182.3	–	43552
Pens Index Lr Dec 28	167.8	177.2	–	43553
Pens Cash Dec 28	137.3	144.8	–	43554
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	122.9	129.3	–	43555
Balanced Ptflio Fd	321.8	338.7	–	43556
Cautious Ptflio Fd	125.5	132.0	–	43557
Elite Fund	110.4	116.2	–	43558
European Fund	100.6	105.8	–	43559
Far East Fund	115.1	121.1	–	43560
Fixed Interest Fund	250.0	263.1	–	43561
International Fund	296.5	312.0	–	43562
Money Fund	184.1	193.7	–	43563
N. American Fd	127.1	133.7	–	43564
Property Fund	397.8	418.7	–	43565
UK Equity Fd	387.9	408.3	–	43566
A.I.M. Brwin Dipin Fd	103.7	109.2	–	43567
Swim Select Invs	120.5	126.8	–	43568
Chart Safety First Bd	107.4	113.1	–	43569
Exec Master Fd	104.5	110.0	–	43571
Hardwick Growth Fd	113.5	119.5	–	43572
Beatley Haig LR Port	106.0	111.6	–	43573
Milbourne Spec Port	124.2	130.7	–	43574
Swim Global Fd	126.1	132.7	–	46120
Hardwick Tst Fd	75.7	79.7	–	47164

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual

[illegible]

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Rothschild Asset Management—Contd.						
OCCFL U.S.$		$15.20	15.200xd		7.35	45496
OCCFL Yen		Y3533	3533.24xd		5.38	45497
OCCFL Man £	3	£10.484	10.484	10.808	12.23	45498
Daily Dealings						
Royal Bank of Canada Funds						
RBC Offshore Fund Managers Ltd						
PO Box 246, St Peter Port, Guernsey 0481 23021						
Intl Capital Fd	5	$53.08	53.08	57.78	–	45701
Far East & Pacific Fd	5	$41.82	41.82	45.64	–	45703
North America Fd	5	$14.58	14.58	15.70	–	45704
Canadian Fd	5	C$13.77	13.77xd	14.86	–	45700
Intl Bond Fd	5	$12.17	12.17xd	12.88	2.32	45705
European Fund	5	$12.22	12.22xd	13.30	–	45705
British Fund	5	£5.28	5.28	5.73	–	45706

	Bid Price	Offer Price	Yield Gross	City-line
Henderson Management SA—Contd.				
	5.95	6.29	–	[illegible]
UK Portfolio	10.22	10.81	–	[illegible]
Global Portfolio	9.54	10.02	–	[illegible]
Fixed Int. Portfolio	0.9443	0.9443	–	[illegible]
Dollar Liquidity P'folio	1.1504	1.1534	–	[illegible]
Stg Liquidity P'folio				
Ivory & Sime (Luxembourg) SA				
18 Blvd Royal, L-2449 Luxembourg 010 352 4769851				
Atlas Fund				
Global Cap Portfolio	2.586	2.743	0.4	45309
United States Portfolio	2.530	2.684	0.2	45310
United Kingdom Portfolio	1.214	1.287	1.4	45311
Conti Europe Portfolio	4.307	4.560	0.5	45312
Eurocrisa Portfolio	1.112	1.178	–	47642
Japan Portfolio	1.148	1.218	0.0	45313
Pacific Portfolio	2.625	2.782	1.0	45314
Gold Portfolio	2.432	2.578	0.0	45315

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
500	Treas 2pc IL '90(84.6)	134¾xd	9.98	19.12	25 Jul 25 Jan	1311
1,400	Exch 11pc 1990‡‡	99 [illegible]	15.04	12.7	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	99 [illegible]	14.76	16.8	22 Sep 22 Mar	1262
550	Treas 3pc 1990	96 [illegible]	12.32	2.10	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	97 [illegible]	13.91	8.11	15 Dec 15 Jun	1340
955	Treas. 9pc Cv 1990 ‡‡	97 ¾ xd	13.82	11.12	16 Jul 16 Jan	4680
1,887	Treas. 10pc Cv 1990	96 [illegible]	13.99	18.9	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	93 [illegible]	10.66	16.10	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	98¼xd	13.66	4.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	93	11.79	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	90¾	10.43	9.10	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	96 [illegible] xd	13.01	6.12	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	97⅛	12.70	18.9	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	92 [illegible] xd	12.65	3.11	10 Jan 10 Dec	1335
900	Treas 12¾pc 1992‡‡	101 [illegible] xd	12.11	18.12	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	95 [illegible]	12.15	17.7	21 Aug 21 Feb	1283
1,400	Treas. 9pc 1992 ‡‡	91 [illegible]	12.08	6.9	13 Oct 13 Apr	1337
1,282	Treas 10½pc Cv 1992‡‡	97¼	11.82	2.10	7 Nov 7 May	1289
500	Treas. 3pc 1992	84¾	10.25	6.11	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	100 [illegible]	11.88	19.7	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	103 [illegible]	11.70	31.8	22 Mar 22 Sep	1266
950	Treas 8¾pc 1993	91 [illegible]	11.55	12.7	18 Aug 18 Feb	–
1,850	Treas 10pc 1993‡‡	96 [illegible]	11.34	8.9	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	103 xd	11.41	8.12	14 Jan 14 Jul	1296
600	Funding 6pc 1993‡‡	85 [illegible]	10.73	9.8	15 Mar 15 Sep	1276
2,250	Treas 13¾pc 1993‡‡	107⅛	11.30	17.10	23 May 23 Nov	1304
1,050	Treas. 8½pc 1994	90 [illegible] xd	11.30	28.12	3 Aug 3 Feb	–
600	Treas 14½pc 1994‡‡	111 [illegible]	11.07	26.7	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	107 [illegible]	11.22	20.9	27 Oct 27 Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	96 [illegible]	11.04	2.11	9 Dec 9 Jun	1284
1,550	Exch 12½pc 1994	104 [illegible]	11.21	17.7	22 Feb 22 Aug	1263
1,600	Treas 9pc 1994‡‡	92⅛	11.08	11.10	17 May 17 Nov	1345

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,350	Treas 12pc 1995	103 [illegible] xd	11.10	19.12	25 Jul 25 Jan	1294
229	Exch 3pc Gas 90–95	76¼	8.65	25.9	1 Nov 1 May	1271
2,100	Exch. 10¼pc 1995	96 [illegible] xd	10.98	15.12	21 Jan 21 Jul	1254
1,000	Treas 12¾pc 1995‡‡	107 [illegible]	10.87	9.10	15 May 15 Nov	1298
900	Treas. 14pc '96	112 [illegible]	11.07	18.12	22 Jul 22 Jan	1305
750	Treas. 9pc 1992–96‡‡	92 [illegible]	10.75	9.8	15 Sep 15 Mar	1344
1,350	Treas 15¼pc 1996‡‡	119 [illegible]	10.91	27.9	3 Nov 3 May	1309
800	Exch 13¼pc 1996‡‡	110 [illegible]	10.84	9.10	15 Nov 15 May	1268
1,109	Conversion 10pc 1996	96 [illegible]	10.75	9.10	15 May 15 Nov	1240
1,500	Treas 13¼pc 1997‡‡	111 [illegible]	10.78	18.12	22 Jul 22 Jan	1302

BRITISH FUNDS—Contd

Over Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,881	Conversion 9½pc 2005	96 [illegible]	9.97	11.9	18 Oct 18 Apr	1247
1,050	Exch. 10½pc 2005	104⅛	9.97	14.8	20 Mar 20 Sep	1251
2,200	Treas. 12½pc 2003–05	117¼	10.14	16.10	21 May 21 Nov	1295
1,800	Treas. 8pc 2002–06‡‡	84 [illegible]	9.89	10.11	5 Apr 5 Oct	1334
3,150	Treas. 11¾pc 2003–07	111¼	10.16	18.12	22 Jul 22 Jan	1293
1,446	Treas 8½pc 2007 ‡‡	89 [illegible] xd	9.73	11.12	16 Jan 16 Jul	1339
1,250	Treas. 13½pc '04–08	125½	10.09	21.8	26 Sep 26 Mar	1301
–	Treas. 9pc 2008 ‡‡	94¼	9.66	6.9	13 Apr 13 Oct	1343
721	Treas. 9pc 2008 B	94¼	9.66			–
1,000	Treas 8pc 2009	85 [illegible]	9.63	21.8	25 Mar 25 Sep	1336
369	Conv 9pc Ln 2011 ‡‡	94 [illegible] xd	9.60	6.12	12 Jan 12 Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	63 [illegible]	9.44	4.8	10 Mar 10 Sep	1330
700	Treas. 7¾pc 2012–15‡‡	82½ xd	9.57	20.12	26 Jul 26 Jan	1332
1,000	Exch. 12pc '13–'17	121 [illegible]	9.64	6.11	12 Jun 12 Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	41 xd	–	27.12	1 Feb 1 Aug	1234
1,909	War Loan 3½pc‡‡	36 [illegible]	–	25.10	1 Jun 1 Dec	1352
140	Conv 3½pc '61 Aft	61 [illegible]	–	25.8	1 Apr 1 Oct	1243
56	Treas. 3pc '66 Aft	32¼	–	1.9	5 Apr 5 Oct	1324
276	Consols 2½pc	25¼ xd	–	1.12	5 Ja Ap Jul O	1238
475	Treas. 2½pc	25¼	–	25.8	1 Apr 1 Oct	1315

Index-Linked

Amount £m	Stock	Price £ (b)	Red. Yld. **	Last xd	Interest Due	City-line
650	Tr. 2pc '92‡‡(97.8)	112 [illegible]	4.27	17.8	23 Mar 23 Sep	1312
400	Do. 2 '94 (102.9)	105 [illegible]	3.52	10.10	16 Nov 16 May	–
1,000	Do. 2pc '96(67.9)	155 [illegible]	3.43	10.8	16 Mar 16 Sep	1313
900	Do 2½pc '01(78.3)	131 [illegible]	3.65	18.8	24 Mar 24 Sep	1316
800	Do. 2½pc '03(78.8)	128 [illegible]	3.69	16.10	20 Nov 20 May	1317
1,200	Do. 2pc '06(69.5)	131 [illegible] xd	3.69	13.12	19 Jan 19 Jul	1314
950	Do. 2½pc '09(78.8)	122⅞	3.67	16.10	20 Nov 20 May	1318
1,350	Do. 2½pc '11(74.6)	128	3.65	17.7	23 Feb 23 Aug	1319
1,100	Do. 2½pc '13(89.2)	106⅝	3.61	10.7	16 Feb 16 Aug	1320
1,700	Do. 2½pc '16(81.6)	115 [illegible] xd	3.57	20.12	26 Jan 26 Jul	1321
1,400	Do. 2½pc '20(83.0)	112¼	3.52	11.9	16 Oct 16 Apr	1322
900	Do. 2½pc '24‡‡(97.7)	95 [illegible] xd	3.46	11.12	17 Jan 17 Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1989:114.3 and for November 1989:118.5

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	N'wide Anglia 12 [illegible]pc 2.1.90	99 [illegible]	15.69	30.5	2 Jan 28 Jun	–
20	Do. 12 [illegible]pc 29.1.90	99 [illegible]	15.22	23.6	29 Jan 23 Jly	–
–	Do 12 [illegible]pc 26.2.90	99 [illegible]	15.24	21.7	26 Feb 20 Aug	–
–	Do 12⅞pc 19.3.90	99 [illegible]	15.20	–	19 Mr 13 Sep	–
20	Do. 13⅜pc 23.4.90	99 [illegible]	15.21	18.9	23 Apr 17 Oct	–
20	Do. 13pc 14.5.90	99 [illegible]	15.17	9.10	14 May 8 Nov	–
–	Do 13 [illegible]pc 4/6/90	99 [illegible]	15.05	–	4 Jun 30 Nov	–
–	Do 14 [illegible]pc 2.7.90	99 [illegible] xd	15.00	27.11	2 Jly 26 Dec	–
–	Do. 13⅝pc 23.7.90	99 [illegible] xd	14.97	18.12		–
20	Do. 13 [illegible]pc 13.8.90	99 [illegible]	14.86		7 Feb 13 Aug	–
20	Do. 13½pc Bds 3.9.90	99 [illegible]	14.77		28 Feb 3 Sep	–
60	Do. 3⅞pcIL Ln 2021	107 [illegible]	4.50	22.6	30 Jan 31 Jul	3465
50	Do. 4.25pcIL '24	107	4.31	–	23 Feb 23 Apr	–

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
25	Met. Wtr. 3pc 'B'	45xd	10.86	1.8	1 Mar 1 Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass	50	3.50	7.00	1.11	1 May 1 Nov	2763
4	Do 6pc 28 Stb. Ass	50	3	6.00	1.2	1 Feb 1 Aug	2762
–	Do 4pc Mixed Ass	50	2	4.00	5.4	1 Apr 1 Oct	2761
1	Hung '24 Ass	80	2.75	3.57	3.5	1 May	2935
40	Hydro Quebec 15pc 2011	128¾	15.00	11.42	27.10	31 May 30 Nov	–
30	Iceland 14½pc Ln 2016	116 [illegible]	14.50	12.36	29.12	31 Jan 31 Jul	–
30	Ireland 9¾pc '91–96	90⅛	10.74	11.70	21.8	1 Mar 1 Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gras	Y'ld Gr's	Last xd	Dividends Paid	City-line
9,578.8	Abbott Laboratories	41¾	$1.40	2.1	11.7	Fb My Ag Nv	1503
273.9	Allegheny & W 1c.	527p	30c	3.6	–	–	–
1,727.1	Amax $1	14¼	80c	3.6	7.8	Mr Jn Se De	1581
312.5	Ambase Corp $1	7⅝	20c	1.7	28.11	Jan Mar Jn Dc	2915
892.5	Amdahl 5c	850p	10c	0.7	31.1	Jn Mr Jn Aq	–
3,046.8	Amer Cyanamid $5	33⅛	$1.35	2.6	27.2	Mr Je Se De	–
10,478.4	Amer Express 60c	21 xd	84c	2.5	3.7	Fb My Ag Nv	1594
30,782.7	American T. & T $1	28⅛	$1.20	2.7	27.5	Fb My Ag Nv	1597
17,820.4	Ameritech $1	41¾	$2.92	4.4	28.3	Fb My Ag Nv	–
–	Asiamerica Equity	551p	–	–	–	–	–
3,033.6	BankAmerica $1	16¾	60c	2.3	17.5	Fe My Au No	1744
2,046.2	Bankers N.Y. $1	25½	$2.12	5.2	31.3	Ap Jly Oc Jan	1745
13,546.6	Bell Atlantic $1	68⅛	$4.40	4.1	27.6	Fe My Au No	–
17,355.2	BellSouth Corp	35⅛	$2.52	4.5	6.7	Fe My Au No	–
822.4	Bethlehem Steel $8	11 [illegible] xd	40c	2.3	6.2	Mar Jun S D	1821
–	Bio-Rad Labs. A	938p	–	–	–	–	–

Continued on next page

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0898 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
600.8	Hasbro Inc 50c	11¼	16c	0.9	1.8	Ja No Au My	–
2,383.1	Honeywell $1½	54¾	$2.75	3.2	22.8	Mar Jun S D	2919
2,610.7	Houston Inds.	21⅞	[illegible]	8.6	10.11	Mr Jn Se De	–
[illegible]	IBM Corpn $1¼	[illegible]	$4.84	5.2	5.5	Mar Jun S D	[illegible]
1.06	[illegible]	50p	–	–	–	–	2961
1,615.4	Ingersoll-Rand $2	[illegible]	$1.20	2.5	16.5	Mar Jun S D	2979
1,399.1	Lockheed Crpn $1	24¼	$1.80	4.7	15.2	Mar Jun S D	–
177.4	Lone Star Inds $1	10¼	$1.90	11.2	30.8	[illegible]	[illegible]
868.6	Louisiana Land 15c	28	$1.00	2.3	29.11	Mar Jun S D	[illegible]
728.2	Lowe's 50c	18¾	48c	1.7	13.7	Jan Ap Jly Oc	–
996.4	Manuf. Hanover $1	20¾	$3.28	10.0	26.6	Jan Ap Jly Oc	3279
1,700.4	Merrill Lynch $1	16¼	$1.00	3.9	31.10	Feb My Au N	3361
596.3	Molex Inc	23⅓	[illegible]	–	–	–	3397
4,920.3	Morgan (JP) $2½	27¼	$1.66	3.9	21.12	Jan Ap Jly O	3418
[illegible]	Morris (Philip)	[illegible]	$1.13	2.8	12.12	–	5161
[illegible]	NYNEX $1	56⅞	$4.36	4.9	27.6	F May Au N	4740
2.03	[illegible] Legal Serv	15p	–	–	–	–	5121
356.1	PHH Corp.	21¼	$1.16	3.5	4.4	Ja Ap Jly Oct	–
–	Pacific Agr	164p	–	–	–	–	–
1,991.6	Pacificorp $3¼	28¼	$2.76	5.8	18.7	Feb My Ag No	–
[illegible]	Pacific Telesis 10c	30⅞	$1.[illegible]	3.9	12.85	Fe My Au No	–
772.3	Pall Corp 25c	20⅞	48c	1.5	24.1	Fe My Au No	–
1,252.3	Pennzoil 83 1/3c	84⅞	$3.00	3.5	29.8	Mar Jun S D	3630
2,866.3	Quaker Oats $5	35⅞	$1.40	2.5	18.12	Jly Oc Jan Apr	3738
792.1	Rep NY Corpn $5	31¼	$1.28	2.6	12.9	Jan Apr Jly O	3814
4,219.5	Rockwell Intl $1	14½	78c	3.4	9.8	Mr Jn Se De	3847
6,796.9	Sears, Roebuck 75c	23¼	$2.00	5.4	21.11	Jan Apr Jly Oc	5191
[illegible]	Southwestern Bell $1	39½	$2.60	4.2	5.7	Fb My Ag No	–

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

حكمة امنه الأصل

LONDON SHARE SERVICE

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

For Water Issues see London Recent Equities

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

24.6	Witton Group 1p	✓	5½	—	—	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim: reduced final and/or reduced earnings indicated
- ● Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... ✓	88	......
Craig & Rose £1.. ✓	830	......
Finlay Pkg 5p . ✓	58	...
Holt (Jos) 25p .... ✓	1353	......

IRISH

Cap 8¼% Ln 1991	£97	......
9pc Cap Ln 1996..	£96½	....
Fin 13% 97/02...	£116	......
Arnotts	400	......
Carroll (P.J.) ...... ✓	160xd	+3
Hall (R. & H.).......	191	......
Helton Hldgs....... ✓	91	......
IRG	205xd	......
United Drug.........	150	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp.	44
BTR	37
Barclays	48
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	48
Courtaulds	31
Eurotunnel	65
FKI	6
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met.	44
Guardian	19
GKN	33
Hanson	13
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen.	31
Lex Service	26
Lloyds Bank	31
Lucas Inds.	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	35
Nat West Bk.	23
P & O Dfd.	51
Polly Peck	38
Racal Elect.	20
RHM	39
Rank Org Ord.	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	43
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	65

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT- FORWARD AGAINST THE POUND

Dec.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6000 - 1.6145	1.6120 - 1.6130	0.95-0.93cpm	7.00	2.54-2.51pm	6.26
Canada	1.8505 - 1.8715	1.8670 - 1.8680	0.53-0.38cpm	3.89	1.36-1.11pm	2.65
Netherlands	3.06½ - 3.09¼	3.07¾ - 3.08¾	1⅞-1⅝cpm	6.33	4¾-4⅝pm	6.08
Belgium	56.95 - 57.65	57.35 - 57.45	32-20cpm		78-60pm	4.81
Denmark	10.56¼ - 10.63¾	10.60½ - 10.61½	3¼-2⅞orepm	3.39	7⅝-7pm	2.76
Ireland	1.0345 - 1.0385	1.0355 - 1.0365	0.35-0.30ppm	3.76	0.85-0.75pm	3.09
W. Germany	2.71¼ - 2.73¾	2.72½ - 2.73	1¾-1⅝pfpm	7.42	4⅜-4¼pm	6.32
Portugal	239.40 - 242.10	240.70 - 241.70	187-269cdis	-11.34	333-574dis	-7.52
Spain	175.65 - 176.65	175.85 - 176.15	11-17cdis	-0.95	37-47dis	-0.95
Italy	2031 - 2048¾	2044½ - 2045½	5-3lirepm	2.35	11-8pm	1.86
Norway	10.56¾ - 10.66¼	10.63 - 10.64	2⅞-2½orepm	3.03	7¼-6⅞pm	2.61
France	9.27¼ - 9.34	9.32½ - 9.33½	3¼-3¼cpm	4.10	8-7⅜pm	3.35
Sweden	9.93½ - 10.00¾	9.98 - 9.99	3⅞-3¼orepm	3.91	6⅞-6⅜pm	2.65
Japan	229½ - 232½	231¼ - 232¼	1¾-1⅝ypm	8.74	4⅝-4½pm	7.87
Austria	19.09 - 19.21	19.17 - 19.20	9¼-7⅞gropm	5.20	28½-24½pm	5.53
Switzerland	2.47¼ - 2.49½	2.48¼ - 2.49¼	1⅜-1¼cpm	6.03	3⅜-3¼pm	5.63
ECU	1.3550 - 1.3710	1.3550 - 1.3560	0.48-0.45cpm		1.20-1.15pm	

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 57.35-57.45 Six-month forward dollar 4.94-4.89cpm 12 months 8.93-8.83cpm

MONEY MARKETS

Dollar and pound succumb to D-Mark

THE LAST year saw the dollar rise steadily against the D-Mark until the last quarter. It has since fallen away, on a combination of political and interest rate factors, to finish lower than 12 months ago. Sterling's performance has been one of steady decline, against a background of poor trade figures, high inflation and political nervousness surrounding Mrs Thatcher.

The dollar started the year at DM1.7645 and flirted with DM2.00 on several occasions around the middle of the year. The last attempt to break through this level was in mid-September, following good US trade figures, but an easing of the Federal Reserve's monetary stance, as the economy has slowed, has left US rates unattractive in comparison with West German rates.

This would have brought the dollar back down, but probably not to the extent that has happened were it not for events in eastern Europe. West Germany will be in a central position in any move to liberalise and expand those economies throwing off the shackles of Communist rule. This process is also likely to be inflationary and the Bundesbank can be expected to maintain a tight monetary stance, adding to the attractions of the D-Mark.

As the year ended the dollar hovered around DM1.70, losing over 30 pfennigs from the year's high, while the pound has fallen about 50 pfennigs during the year to DM2.7275.

UK clearing bank base lending rate 15 per cent from October 5

£ IN NEW YORK

Dec.29	Close	Previous Close
£ Spot	1.6100 - 1.6110	1.6045 - 1.6055
1 month	0.96-0.94pm	0.91-0.89pm
3 months	2.58-2.53pm	2.60-2.55pm
12 months	8.93-8.83pm	9.05-8.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.29	Previous
8.30 am	85.6	86.3
9.00 am	85.5	86.2
10.00 am	85.6	86.2
11.00 am	85.8	86.2
Noon	85.7	86.0
1.00 pm	85.9	85.9
2.00 pm	85.9	85.8
3.00 pm	86.0	85.7
4.00 pm	86.0	[illegible]

CURRENCY RATES

Dec.29	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.22675	1.34628
U.S Dollar	7	1.32325	1.19699
Canadian $	12.46	1.53034	1.38684
Austrian Sch.	6½	15.6342	14.2466
Belgian Franc	10¼	46.7570	42.5920
Danish Krone	10½	[illegible]	7.88161
Deutsche Mark	6.00	2.22187	2.02412
Neth Guilder	7.00	2.51219	2.28602
French Franc	10¼	7.60075	6.92042
Italian Lira	13½	1666.80	1517.55
Japanese Yen	3¾	189.034	[illegible]
Norway Krone	8	8.65538	7.89298
Spanish Peseta	-	143.704	131.059
Swedish Krona	9½	8.15254	7.41059
Swiss Franc	6.00	2.02060	1.84277
Greek Drach.	20½	206.427	188.287
Irish Punt	-	0.84580	0.769128

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Dec.28

CURRENCY MOVEMENTS

Dec.29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.0	-25.1
U.S Dollar	67.5	-11.4
Canadian Dollar	109.1	+2.3
Austrian Schilling	110.5	+12.7
Belgian Franc	109.8	+3.3
Danish Krone	109.0	+3.6
Deutsche Mark	119.6	+26.1
Swiss Franc	106.6	+14.4
Guilder	115.0	+17.0
French Franc	103.5	-12.5
Lira	99.9	-19.0
Yen	130.7	+61.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Dec.28

OTHER CURRENCIES

Dec.29	£	$
Argentina	2859.50 - 2941.90	1775.00 - 1825.00
Australia	2.0400 - 2.0425	1.2650 - 1.2660
Brazil	18.2075 - 18.3090	11.3020 - [illegible]
Finland	6.5065 - 6.5185	4.0375 - 4.0475
Greece	250.25 - 254.75	155.25 - 158.75
Hong Kong	12.5720 - 12.5960	7.8030 - 7.8070
Iran	113.75*	69.40*
Korea(Sth)	1079.75 - [illegible]	676.00 - 681.40
Kuwait	0.46910 - 0.47050	0.29190 - 0.29260
Luxembourg	57.35 - 57.45	35.55 - 35.65
Malaysia	4.3455 - 4.3595	2.6960 - 2.7010
Mexico	4325.55 - 4344.35	2685.00 - 2695.00
N. Zealand	2.7100 - 2.7160	1.6820 - 1.6850
Saudi Ar.	[illegible] - 6.0315	3.7500 - 3.7510
Singapore	3.0575 - 3.0695	1.8975 - 1.9025
S. Af (Cm)	4.1000 - 4.1175	2.5490 - 2.5530
S. Af (Fn)	5.6550 - 5.7585	3.5090 - 3.5715
Taiwan	[illegible] - 42.25	26.15 - 26.20
U.A.E.	5.9010 - [illegible]	3.6725 - 3.6735

*Selling rate

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6125	1.6031	1.5883	1.5634	1.5237

IMM-STERLING Se per £

	Close	High	Low	Prev.
Mar	1.5888	1.5934	1.5850	1.5760
Jun	1.5646	1.5674	1.5620	1.5518
Sep	1.5432	1.5464	-	1.5304

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6000 - 1.6145	1.6120 - 1.6130	0.95-0.93cpm	7.00	2.54-2.51pm	6.26
Ireland†	1.5485 - 1.5560	1.5530 - 1.5540	0.45-0.40cpm	3.28	1.36-1.26pm	3.37
Canada	1.1560 - 1.1590	1.1580 - 1.1590	0.36-0.43cdis	-4.09	1.00-1.13dis	[illegible]
Netherlands	[illegible]	1.9105 - 1.9115	0.02-0.08cdis	-0.31	0.11-0.21dis	-0.34
Belgium	[illegible]	35.55 - 35.65	2.00-8.00cdis	-1.69	10.00-20.00dis	-1.69
Denmark	6.56½ - 6.62	6.57¾ - 6.58¼	1.90-2.25oredis	-3.79	5.60-6.50dis	[illegible]
W. Germany	1.6860 - 1.7000	1.6910 - 1.6920	0.03pm-0.02pfdis	0.04	par-0.05dis	-0.06
Portugal	149.70 - 150.10	149.75 - 149.85	80-180cdis	-10.47	330-530dis	-11.54
Spain	109.20 - 109.90	109.35 - 109.45	67-77cdis	-7.89	190-210dis	-7.31
Italy	1262 - 1273	1268 - 1268½	4.00-6.00liredis	-4.73	13.00-15.50dis	-4.50
Norway	6.57¾ - 6.62	6.59¼ - 6.59¾	2.05-2.40oredis	-4.05	6.10-6.70dis	-3.88
France	5.76 - 5.80¾	5.78¼ - 5.78¾	1.35-1.55cdis	-3.01	4.20-4.40dis	[illegible]
Sweden	6.18¾ - 6.24	6.19 - 6.19½	1.75-2.00oredis	-3.63	5.73-6.30dis	-3.88
Japan	[illegible]	[illegible]	0.24-0.22ypm	1.92	0.57-0.53pm	1.52
Austria	[illegible]	11.88½ - 11.89	1.40-2.60grodis	-2.02	1.60-4.00dis	-0.94
Switzerland	1.5350 - 1.5500	1.5420 - 1.5430	0.10-0.15cdis	0.97	0.24-0.31dis	0.71
ECU	1.1845 - 1.1920	1.1880 - 1.1890	0.29-0.27cpm	2.83	0.87-0.84pm	2.88

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.55-35.65.

EXCHANGE CROSS RATES

Dec.29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.613	2.728	231.8	9.330	[illegible]	3.083	2045	[illegible]	57.40
$	0.620	1	1.691	[illegible]	5.784	[illegible]	1.911	1268	[illegible]	35.59
DM	0.367	0.591	1	84.97	3.420	0.912	1.130	749.6	0.685	[illegible]
YEN	4.314	6.959	11.77	1000	40.25	10.73	13.30	8822	8.059	247.6
F Fr.	1.072	1.729	2.924	[illegible]	10.	2.667	3.304	2192	2.002	61.52

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

CHICAGO

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Base values: Dec 31, 1986 = 100: Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987
Markets closed December 29: Austria, Belgium, West Germany and Switzerland.
CONSTITUENT CHANGES: Deletions: Ramanda Inc. and Combustion Engineering (US)(27/12/89).

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 9,129
A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

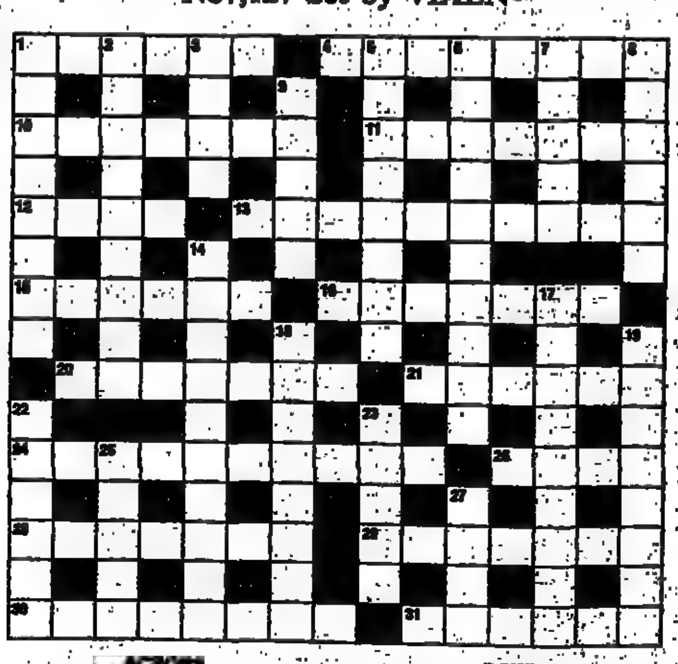
RIGHTS OFFERS

BASE LENDING RATES

JOTTER PAD

CROSSWORD

No 7,127 Set by VIXEN



ACROSS

1 There's a lack of colour – everything's in soft gold (6)
4 Agrees with many over seating arrangements (8)
10 Decline to reveal the right means of escape (7)
11 Get on board and get involved in a rent fiddle (7)
12 Before retiring could effect a breakthrough (4)
13 Being game, ten perhaps will be in the running (10)
15 Kept without money, worked like a Trojan (6)
16 In the main people find them a steadying influence (8)
20 Heartless city journalists never seen as other than green (7)
21 Question a social worker indirectly (8)
24 Diversions causing controversy (10)
26 Some pig-headed narrow-minded woman (4)
28 Informed if one's to appear in newspaper leaders (7)
29 Company scheme to hold over (7)
30 Republic at one time organising gales in late spring (8)
31 Broadcast before – depressed about it (6)

DOWN

1 Cross through lines written by a former artist (8)
2 "Green Lady" make-up is fabulous! (9)
3 Frank way to start (4)
5 Laid up after work period, but functions (8)
6 Plump woman's taken in the French orphan (10)
7 Study overbearing novelist (5)
8 Stay in maybe – it would make good sense (6)
9 Large automobile presented to a deserving player (5)
14 Setting right about the sauce (10)
17 Impressive dogs are in fashion (8)
18 Virtually of equal standard (2,4,2)
19 Laboured, so will be taxed (8)
22 A cry to join King Charles's entourage (6)
23 Take up exercise following some trouble (5)
25 Fenestra College (5)
27 Found a page? What a swindle! (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 13.

NOTICE OF OPTIONAL REDEMPTION BY BONDHOLDERS

NEW ZEALAND BREWERIES FINANCE B.V.

15⅞ per cent. Guaranteed Bonds Due 1992

NOTICE IS HEREBY GIVEN, to the holders of the outstanding Bonds described above (the "Bonds") that, pursuant to the provisions of the Fiscal Agency Agreement dated as of March 15, 1985 and condition 6(b) of the Bonds, these Bonds are subject to redemption at the option of the Bondholder on April 4, 1990 at 100% of the principal amount thereof.

To exercise the option in respect of any Bond, a Bondholder must irrevocably deposit Bonds to be redeemed, together with all unmatured coupons appertaining thereto, with any Paying Agent against receipt during the period February 3, 1990 through March 5, 1990, both inclusive. Payment of Bonds to be redeemed will be made at the U.S. dollar equivalent of the principal amount of the Bonds unless the Bondholder elects to receive N.Z. dollars in payment thereof pursuant to Condition 8(c) of the Bonds.

NZI BREWERIES FINANCE B.V.

Dated: January 2, 1990

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO

Closing prices December 29

[illegible]

2800	Cae Capital	$11½	11⅜	11½ + ⅛
22800	CanCap A	$9⅞	9⅞	9⅞
18400	CanFd A	$6⅞	6⅛	6⅛
8050	C Guar Trs	$10⅛	10⅛	10⅛ − ⅛
70700	Charan	55	55	55
245	Chieftan	$28⅛	28⅛	28⅛ + ⅛
1600	CHUM B f	$25¼	25¼	25¼
64265	Cineplex	$7¾	7½	7¾ + ⅛
6735	Co Steel f	$16	16	16
34742	Cominco	$27½	27	27¼ + ⅛
11600	Computalog	385	380	380 + 10
2100	Con TVX	$7⅝	7⅛	7⅝
1550	Interhome	$44	44	44 − ⅛
1450	Inv Grp	$24⅛	23⅞	24⅛ + ⅜
8600	Ipsco	$18½	18¼	18½
15800	Ivaco A f	$11⅛	11	11⅛ + ⅛
8000	Jannock	$19⅛	19⅛	19⅛ − ⅛
40	Kerr Add	$20⅛	20⅛	20⅛
27450	Labatt	$24⅝	24½	24½
196070	Lac Mnrls	$14	13⅞	13⅞ + ⅛
3740	Lafarge p	$21¼	21	21¼ + ¼
59700	Laidlw A	$26⅞	25¾	25⅞ + ⅞
984121	Laidlw B f	$26⅞	25¾	26½ + ⅞
1800	Rothman	$68	68	68
30469	Royal Bnk	$50	49⅞	50 + ⅛
19232	Ry Trco	$18	17⅞	17⅞ − ⅛
28697	SHL Syst	$11½	11⅜	11½ + ⅛
10400	SNC A f	$12	11⅞	11⅞ − ⅛
189756	Saskoil	$14	13⅞	13⅞
103024	Sceptre	5⅛	5	5⅛
500	Schneider A	$25	25	25 + ⅛
28659	Scot Paper	$17⅝	17⅝	17⅝
900	Scotts I	$14¼	14¼	14¼
21100	Seagram	$105½	103½	105½ + 2⅛

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices December 29

[illegible]

13130	Cascades	$8⅝	8⅝	8⅝
1625	DomTxtA	$16½	16⅞	16⅞ − ⅛
2300	Donohue	$11¼	11⅛	11¼ + ½
5600	Memotec	$10⅝	10½	10⅝ + ⅛
34874	NatBk Cda	$12⅛	12⅛	12⅛
5950	Noverco	$11¾	11¾	11¾
9000	Power Corp	$15¾	15⅝	15¾
180	Provigo	$9¾	9¾	9¾
150	Quebecor A	$15	15	15
350	Quebecor B	$13⅝	13⅝	13⅝
18630	Videotron	$18¼	18⅛	18⅛ + ⅛

Total Sales 2,880,535 shares.

INDICES

NEW YORK

DOW JONES	Dec 29	Dec 28	Dec 27	Dec 26	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2753.20	2732.30	2724.40	2709.26	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.94	93.07	93.02	93.08	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1177.81	1174.43	1172.30	1167.85	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	235.04	235.41	234.78	234.09	235.98 (15/12)	181.84 (24/2)	235.98 (15/12/89)	10.50 (8/4/32)

♦Day's High 2763.01 (2742.53) Low 2726.96 (2709.04)

STANDARD AND POOR'S	Dec 29	Dec 28	Dec 27	Dec 26	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	353.40	350.67	348.81	346.81	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	403.36	400.50	398.16	395.65	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	31.30	30.94	30.78	30.54	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.81	193.59	192.69	191.72	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amer Mkt. Value	378.00	373.90	372.96	370.80	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	454.82	449.98	448.81	445.75	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 15	Dec 8	Dec 1	year ago (approx.)
Dow Industrial Div. Yield	3.89	3.90	3.87	3.73

	Dec 27	Dec 20	Dec 13	year ago (approx.)
S & P Industrial div. yield	2.95	2.90	2.90	3.19
S & P Indl. P/E ratio	14.74	14.51	14.92	12.89

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Navistar	2,306,900	3⅞	+ ⅛
Pan Am	1,986,600	2⅝	+ ⅛
Philip Morris	1,642,500	41⅝	+ ½
IBM	1,636,500	94⅛	
Am T & T	1,541,800	45⅞	− ⅛
Eastman Kodak	1,259,600	41⅛	+ ⅜
Varity Corp	1,239,300	2⅝	+ ⅛
Smith Int.	1,231,900	12⅞	− ⅜
Western Union	1,182,000	3	+ 1/16
Bank New Eng	1,171,800	9⅛	+ ½

TRADING ACTIVITY

† Volume Millions	Dec 29	Dec 28	Dec 27
New York	145.940	128.030	133.730
Amex	15.681	12.665	12.117
NASDAQ	(u)	128.971	115.311
Issues Traded	1,975	1,977	1,956
Rises	1,072	835	931
Falls	464	673	549
Unchanged	439	469	476
New Highs	94	64	76
New Lows	38	47	42

CANADA

TORONTO	Dec 29	Dec 28	Dec 27	Dec 22	1989 HIGH	1989 LOW
Metals & Minerals	3354.18	3306.68	3308.57	3326.26	3919.2 (1/9)	3207.5 (3/1)
Composite	3969.79	3932.24	3932.18	3937.19	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2030.83	2011.92	2011.24	2007.19	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 29	Dec. 28	Dec. 27	Dec. 26	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1649.0	1648.8	1651.6	(c)	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	834.7	838.1	842.1	(c)	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	493.07	473.55	(c)	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	(c)	6476.39	6454.90	(c)	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	363.22	360.90	359.33	(c)	363.22 (29/12)	275.49 (27/2)
FINLAND						
Unitas General (1975)	609.0	615.4	622.0	(c)	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	553.7	552.0	548.8	560.4	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	128.3	128.4	127.7	127.8	128.4 (28/12)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	(c)	740.93	724.26	(c)	740.93 (28/12)	535.78 (27/2)
Commerzbank (1/12/53)	(c)	2190.2	2139.3	(c)	2190.2 (28/12)	1595.7 (27/2)
DAX (30/12/87)	(c)	1790.37	1771.44	(c)	1790.37 (28/12)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2836.57	2895.45	2929.25	(c)	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1765.87	1749.07	(c)	(c)	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	687.44	687.58	682.99	(c)	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	38915.87	38876.94	38801.63	38681.31	38915.87 (29/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2881.37	2870.52	2867.97	2866.95	2884.80 (18/12)	2366.91 (6/1)
2nd Section (4/1/68)	3939.15	3910.89	3881.84	3836.92	3939.15 (29/12)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	264.3	262.4	263.3	(c)	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	202.8	201.3	202.0	(c)	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	686.89	677.43	674.17	(c)	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1104.57	1104.50	1115.22	1131.85	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1481.33	1484.47	1483.40	1487.76	1487.76 (26/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2044.0♦	2053.0	2064.0	(c)	2254.0 (12/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2768.0♦	2766.0	2753.0	(c)	2836.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	(c)	(c)	909.72	1007.80 (3/4)	844.75 (11/12)
SPAIN						
Madrid SE (30/12/85)	296.80	296.93	296.77	296.88	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4275.4	4244.9	4190.5	(c)	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	760.6	757.7	(c)	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	9624.18	9345.06	9145.38	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	879.19	870.49	861.84	850.21	879.19 (29/12)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	565.8	567.0	562.9	567.0 (28/12)	487.6 (13/6)

**Saturday Dec. 23: Taiwan Weighted Price: 8875.70 Korea Comp Ex. 932.99.
**Monday Dec. 25: Japan Nikkei 38423.62. Tokyo SE 2847.30. 2nd Section 3822.43.
♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday December 29 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Marubeni	40.2m	1,170	+70	Mitsubishi Corp	8.7m	2,010	+80
C.Itoh	27.4m	1,300	+120	Sumitomo Metal	8.2m	857	-5
Nissho Iwai	18.8m	1,240	+80	Toyo Menka	8.1m	1,080	+60
Sumitomo Corp	12.0m	1,750	+90	Nichimen	7.9m	1,080	+70
Mitsui & Co	11.3m	1,390	+70	Kobe Steel	6.7m	810	0

4pm prices December 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	24	AAR	.48	1.3	22	682	36	35¾	36	+ ⅛
9⅝	8½	ACM n	1.01	11.		244	9¼	9	9¼	+ ⅛
11⅝	10¼	ACMIn	1.26	12.		802	10⅞	10¾	10⅞	+ ⅛
9⅞	8	ACMM n	1.01	12.		892	8⅞	8⅝	8¾	+ ⅛
11½	10	ACM Sc	1.26	12.		1051	10⅞	10¾	10¾	
9⅝	8⅞	ACMSp	1.01	11.		802	9¼	8⅞	9⅛	+ ⅛
18	11½	AL Lab	.18	.9	19	91	u18½	17⅞	18¼	+ ½
4⅛	3⅛	AMCA	.12e	3.4	9	168	3⅝	3½	3½	− ⅛
6⅛	4	AM Intl			9	1899	4⅝	4	4⅝	+ ⅝
23½	18⅝	AM In pf	2	12.		268	17⅞	17⅛	17⅛	− ⅝
107¼	51⅝	AMR			7	8711	58⅞	57¼	58	− ⅞
27	25	ANR pf	2.67	10.		6	25⅞	25⅞	25⅞	
6½	3⅛	ARX				507	3⅝	3⅝	3⅝	
59⅛	37⅞	ASA	3a	5.4		899	55½	54½	55½	+ 1
31¼	18¼	AVX	.24	.8	30	319	30¾	30⅜	30⅜	− ⅛
70⅞	46¼	AbtLab	1.40	2.1	18	1719	68	67½	68	+ ⅜
18⅛	11⅞	Abitibi g	.50			202	11⅝	11½	11½	− ⅛
13	8½	AcmeC	.40	3.7	14	99	11	10¾	10⅞	+ ⅛
9⅞	8	AcmeE	.32	3.5	12	6	9⅛	9	9⅛	+ ⅛
36½	22	Acuson			21	875	32¼	31¼	32	+ ¼
15⅞	12⅞	AdaEx	2.06e	13.		196	15⅜	15½	15⅝	
15⅞	6½	Adobe				986	14⅝	14	14⅝	+ ⅝
20⅛	16½	Adob pf	1.84	9.2		5	20	20	20	+ ¼
21⅝	19⅞	Adob pf	2.40	11.		16	21½	21¼	21½	+ ⅜
10½	7⅛	AMD				6483	7⅞	7⅝	7⅞	
35	28½	AMD pf	3	10.		21	30	29½	29½	
10⅛	6⅝	Advest	.16	2.2	10	208	7¼	7	7¼	
62½	46⅝	AetnLf	2.76	4.9	9	891	56½	56¼	56½	+ ⅛
14	11	AflPb	.24	2.0		624	12¼	11⅞	12¼	+ ⅜
25	15½	Ahmans	.88	4.6	10	2210	19	18½	19	+ ¼
3⅞	2¼	Aileen				140	2⅜	2¼	2¼	− ⅛
48¼	40	AirPrd	1.32	2.8	12	x498	48	47⅞	48	+ ¼
[illegible]										

Continued on Page 31

حكمة امنه الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— X—Y—Z —								
68	56½	Xerox	3	5.2	15	1222	57½	56⅞	57¼	
44⅛	20⅞	XTRA	.72	3.0	10	351	24	d23½	24	
33	21½	XTRA pf1.94		8.8		184	22	d21¾	22	+ ⅛
4⅝	2	Zapata				1505	3½	2⅞	3½	+ ⅛
13¾	7⅞	Zemex	.20	2.4		21	8⅜	8⅜	8⅜	− ⅛
21½	11½	ZenithE				3903	13¾	12⅞	12⅞	+ ⅜
21½	16¾	ZenNtl	.84	4.7	8	105	18⅛	18	18	− ⅛
10	6½	Zenix	1.20	17.		510	7	6⅞	6⅞	
18⅛	12⅞	Zero s	.40	2.7	14	264	14⅞	14⅝	14⅞	− ⅛
44¼	25¾	Zurnin	.75	1.9	19	504	40⅞	39½	40⅞	+ ⅞
12⅞	10	Zweig	1.12e	9.1		365	12¾	12⅝	12⅝	+ ⅛
9⅞	8¾	ZweigTl	.86	9.3		592	9⅜	9¼	9¼	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices December 29

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
PrcCm s			1146	6	5½	6	+ ⅛
Prism		15	22	3⅞	3½	3⅞	+ ⅛

NASDAQ NATIONAL MARKET

4pm prices December 29

Stock	Div.		Sales 100s	High	Low	Last	Chng
A&W Bd		28	1107	29½	28	29¼	+ 1¼
ADC		15	431	18¾	18⅜	18⅜	− ⅜
ADT		10	1317	32	31¾	32	+ ¼
ALC h			1174	1½	1 7-16	1 7-16	− ⅛
ASK		9	806	8¾	8⅛	8¾	+ ⅜
AST			470	10½	10⅜	10⅜	+ ⅛
Aclaim s			285	6⅝	6⅜	6⅝	
AcmeSt		5	218	18⅛	17¾	18	+ ¼
ActARt	t	13	1184	8½	8¼	8½	
Acxiom		22	16	21	21	21	− ¼
AdacLb	.16	16	2296	6¼	6	6⅛	+ ⅛
Adapt		24	959	17¾	17	17¾	+ ⅝
Adingt s		22	38	17	16½	16¾	
AdiaSv	.14	14	66	24½	24	24½	
AdobeS	.14e	15	6079	20½	19¾	20¼	+ ¾
AdvCir		7	119	10¾	10⅝	10⅝	
AdMkSv		18	182	14¼	13¾	14¼	+ ¼
AdvPoly			772	5⅞	5⅝	5¾	+ ⅛
AdvTel		16	1051	16¾	16¼	16¾	
Advanta	.10e	799	291	9⅞	9⅝	9⅞	+ ⅛
AdvoSy		27	1449	9½	8⅝	9⅛	+ ½
AffBsh		32	241	12½	12	12	− ⅛
AgnoyR	t	16	2603	12⅜	11⅜	11⅝	− ¾
AirMd		15	816	4¼	4⅛	4¼	+ ⅛
AirWisc	t	30	1004	9¼	9	9⅛	+ ⅛
Airtran	.16	17	125	11¾	11¼	11¾	+ ¾
Akzo	1.48e		274	u38⅞	38⅞	38⅞	+ ⅝
Aldus		18	599	15½	14¾	15½	+ ⅝
AlexBr	.22	34	774	10⅞	10⅛	10¾	+ ½
AlexBld	.80	8	304	37¾	37	37½	+ ½
Alico	.20	25	23	30½	29½	30½	+ 1
AlegW		10	540	8½	8⅛	8½	
AllgnPh			170	12⅛	11¾	11¾	
Alliant			691	6	5¾	5¾	+ ¼
Allwst s		27	1757	10¾	10	10¾	+ ⅝
Altera		13	883	8⅞	8⅛	8⅞	+ ⅞
Altos			572	7½	7⅛	7⅜	+ ⅜
AFFF			57	19¼	18¾	19¼	+ ½

Stock	Div.		Sales 100s	High	Low	Last	Chng
Dta IO	4.15e	12	673	3¾	3½	3½	− ⅛
Datfix	t	15	33	12¾	12½	12¾	+ ½
DtSwtch			426	3⅜	3⅛	3⅜	+ ⅛
Datscp		18	641	34⅛	33	33⅛	
Dauphn	1.42	9	159	31⅝	31	31½	+ ½
DebShp	.20	13	408	14¼	13¾	14⅛	+ ¼
DekbE	.20	13	199	31½	30½	31½	+ 1
DkIbGn	.45e	18	83	40	38¾	39¼	+ ⅛
Delchm	.40	18	13	27¾	27¼	27¾	+ ⅛
DellCpt		14	1689	5⅞	5½	5½	− ¼
Devon		11	28	15⅝	15¼	15¼	− ¼
Diagnst		53	280	u15⅜	14⅝	15⅛	+ ⅝
Dial Re	1.68	38	169	16⅜	16¼	16⅜	
Dibrell	.68	9	45	22⅜	22	22⅛	+ ⅛
DigMic		27	897	30	29	30	+ 1
DimeFn	.80	8	x455	10⅜	10½	10½	− ⅛
Dionex		20	178	u27½	26¾	26¾	+ ¼
DixieYr	.68	11	13	15¼	15⅛	15¼	
DirGnl	.20	18	538	10½	10⅛	10⅜	+ ⅛
DomBk	.88	8	1623	19⅜	18¾	19⅛	+ ⅛
DresB		14	1845	11½	11	11¼	
Drexlr		22	1127	6⅜	6⅛	6⅜	
DreyGr		17	249	27¾	26	27¾	+ 1⅝
DrugE	s.05e	12	1210	8⅜	8¼	8¼	− ¼
DunkDn	.40	29	20	46⅞	45½	46⅞	+ ⅝
Duramd		22	796	4⅛	3⅞	3⅞	
Durhm	.92	30	37	31⅛	29¾	31	+ ⅞
Durim s	.46	11	270	17¼	16½	17⅛	+ ⅝
DurFil	.24	15	171	23¾	23½	23¾	+ ¼
DutyF s		28	750	27½	26¾	27¼	+ ½
Dycom		15	91	17¾	17¼	17¾	+ ⅜
Dynscn		8	136	8	7⅞	7⅞	
DytchC		14	750	17¼	16¾	16¾	
— E—E —							
ECI Tel		16	688	13¾	13½	13¾	+ ¼
EFREI s		14	359	5⅝	5¼	5⅞	+ ⅜
EMCN s		16	95	13⅛	12⅞	13⅛	+ ¼
ERC En		16	77	11⅛	10⅞	10⅞	− ⅛

Stock	Div.		Sales 100s
Kaman	.44	21	[illegible]
Karchr s	.08	13	[illegible]
Kasler	.10e	30	[illegible]
Kaydon	.40	12	[illegible]
KlySA s	.60	17	[illegible]
KyCnLf	.40	18	[illegible]
KyMed s		4	[illegible]
KeyCen	.60	12	[illegible]
KeyTrn		14	[illegible]
KeyFnc	1.08	12	[illegible]
Kimbal	.80	12	[illegible]
KlmEn	.05e	24	[illegible]
KndrLr			[illegible]
Kinetic	.03e	12	[illegible]
Kirschn		32	[illegible]
Komag			[illegible]
Kulcke		10	[illegible]
— L—L —			
LDDS s			[illegible]
LDI Cp	t	10	[illegible]
LPL s		12	[illegible]
LTX			[illegible]
LaPete		26	[illegible]
LaddFr	.28a	10	[illegible]
LaidlT B	.24	24	[illegible]
LamRs		6	[illegible]
Lancstr	.76	13	[illegible]
Lance	.76	19	[illegible]
LdmkGph		24	[illegible]
LaserPr		13	[illegible]
Lawsn	.36	16	[illegible]
Lechter			[illegible]
Legent		23	[illegible]
LepGrp	.46e		[illegible]
LibtNB	.82	9	[illegible]
LinTch		15	[illegible]
Lilly A	.48b	14	[illegible]
LinBrd		65	[illegible]

Stock	Div.		Sales 100s	High	Low	Last	Chng
YanEnS	.76e	14	259	27½	27¼	27½	
YelowF	.76	12	434	26¾	26⅛	26¾	+ ⅝
YorkRs		17	227	9	8⅞	9	+ ⅛
ZionUt	1.44		16	27¾	27	27¾	

The Business Column

The task of keeping a company's secrets

Business resolutions for the New Year tend towards drudgery: keep the desk tidy; answer mail promptly; keep minutes of meetings; make sure the filing is up-to-date. There is, however, one unobvious resolution which is easier to implement and less of a strain to keep.

Here it is: if you work on a terminal connected to a big computer system, adopt a proper password and change it regularly; if you run a company or business unit with such a system, encourage everyone to follow suite.

Uninteresting, you feel? Well, you will not think so after you have read a new book* by a young astronomer, Clifford Stoll, who found himself working as a computer systems manager in a Berkeley lab when his grant ran out. He was handed a seemingly trivial task: to track down why the computer's monthly billings were out by 75 cents.

Solving the problem revealed that someone was regularly dialling into the computer from outside, then using it as a stepping-stone to infiltrate other systems, including big military and scientific networks across the US. Stoll's account of how he followed the electronic footprints of the intruder is a splendid read, funny and well-written.

Vulnerable

The relevance of the book to the business community, however, is that it reveals just how open to the outside world computer systems can be. Many computers are shipped with standard passwords to allow the manufacturer's technicians to enter them easily from outside during installation. These passwords often remain unchanged, allowing anyone who knows them to enter systems all over the world.

Even without such loopholes, people often make an intruder's task easy, by choosing obvious passwords – spouse's name, child's name, and so on. And choosing a password that you can find in a dictionary is also a help to an intruder.

Passwords are stored in an encrypted file in the computer system, so that – in theory – an intruder who gains access to the password file cannot use its contents to help in future attempts at entry. The cyphers commonly used are of the one-way variety: even if you know the encryption method, you cannot use it to work out what the encrypted password was in its original form.

Using a personal computer and an electronic dictionary, however, the password file can be cracked. Because the number of six-letter words in, say, the English language is many fewer than the possible six-letter permutations of all the letters in the alphabet, an intruder can encrypt every word in the dictionary relatively easily. He or she can then compare the encrypted words with the password file to work out what the passwords must originally have been. This is exactly what Stoll's intruder does.

Hackers

The lesson is to avoid using an ordinary word as a password; instead, use some random collection of letters, figures and symbols and change it regularly.

All this might seem arcane to the average business computer user. After all, though Stoll's intruder appears to have been part of a ring in West Germany selling technology secrets to the KGB, most infiltrations come from harmless "hackers" interested in the challenge of getting into a system rather than in studying or altering its contents.

The experience of personal computer viruses suggests, however, that electronically-assisted human malice is a powerful force for evil. Personal computer viruses are sufficiently damaging to cause many users to take elaborate precautions. Similarly, those responsible for commercial computer systems could greatly reduce their vulnerability to infiltration by encouraging sensible password rules. Otherwise, as computer literacy grows, they will find themselves trying to grapple with the same sort of baffling and possibly harmful infiltration as Clifford Stoll.

Peter Martin

**The Cuckoo's Egg, to be published by Bodley Head in February*

INTERVIEW

A common-sense approach to business conduct

James Rill, the US Administration's new anti-trust boss, talks to Peter Riddell

A large, bearlike man, James Rill talks sitting in his shirt-sleeves in front of a big colour photograph. It shows his son playing football for Dartmouth, the college he himself attended. The image epitomises the Ivy-League, eastern-establishment aura of the Bush Administration.

Mr Rill prides himself on being "pragmatic" – a claim seldom made by his predecessors as Assistant Attorney General for Anti-trust Policy in the Reagan Administration. Whereas they generally came from an academic background and stressed their ideological credentials, he has been an anti-trust lawyer for 30 years in a leading Washington firm and emphasises his practical experience.

These differences matter in a job which has a crucial say in the pursuit of anti-trust cases not only against mergers and takeovers but also against anti-competitive behaviour generally. The Reagan Administration was widely seen as too passive, not only in challenging only a small number of mergers but also towards abusive conduct by dominant firms.

But already, anti-trust practitioners and observers detect a shift towards stricter enforcement in the Justice Department's language – and, increasingly, in its actions – since Mr Rill was appointed last summer.

Mr Rill characteristically plays down the differences; there will certainly be no return to the interventionist anti-trust approach of the 1960s. There is now a general acceptance that bigness is not inherently bad. Yet he distances himself from the prevailing Chicago School view of the Reagan era that free markets rather than anti-trust enforcement provide the appropriate discipline on company behaviour, except in cases of blatant price-fixing. "I don't think I could be identified with a particular school. Definitional problems seem to arise in defining the Chicago School itself. I suspect that you could put seven Chicago school economists in a room to write down on a piece of paper what the Chicago School was and you'd get somewhat different answers.

"The relevant question is the position I take with respect to particular mergers and acquisitions under the anti-trust laws. I think the 1982-84 merger guidelines (on market concentration, as well as on ease of entry and collusion) provide quite a good prescription for merger enforcement policy."

But emphasising the continuity of the guidelines begs several questions since so much depends on how they are applied. Mr Rill approaches implementation as a believer in the century old tradition of US anti-trust law – "as the cornerstone of the American economy" – rather than as an avowed sceptic like his recent predecessors.

He thinks he "has taken a more pragmatic approach to anti-trust and you will certainly see vigorous enforcement of the merger guidelines." Arguing that much of the criticism of the later Reagan era was unjustified, he nevertheless acknowledges there is "a perception out there – and we are trying to deal with it by clarifying the guidelines and effectively enforcing them."

Mr Rill has initiated "a major project" within the Justice Department to articulate the guidelines more clearly – for instance, "identifying conditions affecting entry into markets and those suggesting the likelihood of collusion as a indicator of whether or not to challenge."

This may involve saying publicly why a challenge is not made, though he acknowledges "the problems of confidentiality, of selectivity and of overstating any particular principle, resulting in unjustified fencing in of discretion." The review will be discussed internally early in 1990.

The relative passivity of the Reagan years created a vacuum which was filled in part by the attorney generals of individual states. Mr Rill says the substance of federal and state guidelines is more similar than divergent. "But there are differences. It is enormously difficult for those affected by mergers and anti-trust law to have to respond to innumerable sets of potential enforcement policies."

"The Federal Government – the anti-trust division and the Federal Trade Commission – should have primacy in this area which affects interstate commerce and transactions that invariably involve assets in a large number of states and internationally.

"The first task is to discuss with the states the legal and economic standards that govern our merger enforcement programmes – to harmonise criteria. Secondly, we need to develop co-operation. There is an enormous amount of information out there which the states can provide."

Mr Rill notes that the states have been "particularly active and effective" over some aspects of vertical restraints to do with resale price maintenance. However, he reserves a role for the Federal Government. "I think that where a vertical price fixing conspiracy can be established by the evidence to be just that, and not a dealer incrimination case masquerading as a vertical price-fixing case, and where the effect is broader than a local area, that's one that the Federal Government might bring."

Mr Rill has already signalled an active approach to sectors such as health care (where annual turnover is around $600bn) – "a very large part of the economy. It has not historically viewed itself as covered by the anti-trust laws and it needs particular vigilance in that area to ensure that cartel behaviour is prevented."

After the major upheavals in US industry of the 1980s, Mr Rill says: "Some of the newly deregulated markets give us cause for concern – that might prevent or impede the expansion of competition.

"Computer reservation systems in the airline industry are a good example. We are examining further requirements to prevent bias in the systems owned by host airlines – whether they are abused to prevent entry by non-host airlines."

In Mr Rill's view the announcement of serious competitive concerns by his anti-trust division has been "sufficient to achieve our merger enforcement objectives, often without public fanfare."

The investigation of the proposed computer reservation system joint venture between American Airlines and Delta showed probable anti-competitive effects. Once the anti-trust division's opposition became known, the two companies abandoned the proposal.

Similarly, when Eastern Airlines announced a decision to sell its gates at Philadelphia to USAir, the Justice Department notified the parties that it would seek to block the sale. Rather than pursue the issue through litigation, Eastern instead sold the Philadelphia gates to Midway Airlines. Mr Rill believes that the travelling public will receive the benefits of airline competition provided by a second hub carrierat Philadelphia. In a country where so many people spend so much time flying, these issues matter.

Some on the free-market right have regarded these actions – and others such as a tightening of anti-pollution and health standards – as part of a general trend towards re-regulation after a decade of deregulation. Mr Rill does not see himself as a re-regulator. "I think that where a market has been relatively recently deregulated, and given its historic characteristics, there is a need to ensure that government regulation is not replaced by private cartel regulation."

There is also a challenge to anti-trust laws from US business. The electronics industry – backed by Mr Robert Mosbacher, the Commerce Secretary, – has called for a relaxation to permit joint production ventures in areas of high technology such as high-definition television to allow the US to compete internationally, especially against Japan. An inter-agency review has been dragging on for most of the year.

Mr Rill does not regard the issue as being as important as others do. He thinks "anti-trust has not operated to make US business less competitive in foreign markets. I think that the competition ethic that underlies anti-trust has made it more competitive in world markets."

He accepts that "there may be some businesses – that are fearful of private (as opposed to federal) actions resulting in triple damages – that might not undertake pro-competitive joint ventures.

"What's under consideration is whether some clarification of the anti-trust laws to assure that the rule of reason (for laymen, common sense) would apply to legitimate production joint ventures – with some modification to limit exposure to single rather than triple damages – would be appropriate. It's a clarification to deal with a particular problem."

With increasingly global markets, Mr Rill says there is "a desire to bring as much harmony as we can to anti-trust standards on a global basis. That would be beneficial to businesses in all nations. But there are historic and perhaps political impediments to that becoming a reality. But that is the goal we continually have to work towards."

Throughout, Mr Rill talks like a practitioner dealing with the world as it is, rather than someone with a neat model of perfectly operating markets. He believes his 30 years experience as a practising anti-trust lawyer have given him "an understanding of the dynamics of industrial behaviour."

What he can achieve in his new position will be constrained by the big reduction in the resources of his anti-trust division during the 1980s and by the most lasting Reagan legacy, the attitudes of the many federal judges appointed during the period.

PERSONAL FILE

1933 Born; educated Dartmouth College and Harvard Law School
1959 Anti-trust litigator at Collier, Shannon, Rill and Scott of Washington; partner from 1963
1987 Chairman of section of American Bar Association on Anti-Trust Law
1988 Founder and member of special committee to study role of Federal Trade Commission
1989 Sworn in as 38th Assistant Attorney General for Anti-trust Division

Body blows to the rule of law

JUSTINIAN

Whatever the justifiable rejoicing at the overthrow of President Nicolae Ceausescu and the displacement of General Manuel Noriega there should be universal grieving at the successive blows administered to the rule of law in international affairs. The summary trial and immediate execution of the Romanian dictator and his conspiratorial consort was abhorrent and deplorable. Only marginally less objectionable, legally speaking, has been the removal and hounding of the Panamanian dictator by a US invading force.

The revolutionaries of Bucharest exhibited the pent-up fury of a nation for so long subjugated by a ruthless regime. At the same time, they feared, not unnaturally, that any sparing of the Ceausescus' lives might strengthen the forces loyal to the deposed despot. It seemed entirely appropriate to those savouring the moment of revolutionary success that a kind of rushed and rough justice should be wheeled into place to authorise the pre-ordained verdict of guilt and sentences of death.

The failure, however, to provide anything faintly resembling due process in a criminal trial paradoxically legitimises all that had gone before in the dark days of the Ceausescus' rule. The favoured instrument of the toppled regime has been used to snuff out the residual symbol of the dreaded past.

Political revolutions may not sit easily alongside civilised modes of behaviour. Retribution is too high on the revolutionary agenda for the observance of human rights. But an instant of reflection – an attribute hardly concomitant with the heavy atmosphere of revolt – should have dictated to the instigators of the Bucharest uprising an alternative: a swift removal of the deposed tyrant to enforced exile, pursuit of any ill-gotten gains and a delayed process of civilised justice, by extradition, after the establishment of a period of normalcy.

A number of excuses and explanations from the US government has accompanied its action in Panama; few, if any, have been based on sound legal reasoning. A novel proposition of international law to justify the US action has come, however, from Eli Lauterpacht, the Director of the Research Centre for International Law at Cambridge University. The proposition is that intervention by one state may be lawfully sanctioned if it is to enforce adherence to democratic principles and practices.

The invading US force was thereby simply in Panama to assist the electorate in Panama, since General Noriega had used military and political power to frustrate electoral defeat. The Americans were thus invading Panama to remove a puppet government and to capture its head of state.

To assert such a right of intervention by a single state without international sanction is not merely a novel doctrine; it is positively dangerous to an ordered international community. If such a right were to exist, it would have to be sanctioned internationally.

The Charter of the United Nations excludes it from intervening in matters which are essentially within the domestic jurisdiction of any state. The scope of "intervention" by the UN is one thing. The right of a single state to take upon itself the international community's right to act through its proper organ by using force to violate the integrity of another state cannot possibly be countenanced.

The only possible justification for the US action has been the exercise of the right to self-defence. Risk to the lives of American citizens in Panama, the defiant attitude of General Noriega of his country's treaty obligations with the US and an alleged "declaration of war" are claimed collectively to add up to a right by America to protect its interests.

Article 51 of the UN Charter provides for a right of self-defence for individual states, but one limited in its scope. To the extent that the international machinery for the enforcement of international law is ineffective, the right to self-defence is retained. The question generally has been whether or not Article 51 restricts the traditional right of self-defence to those occasions when an armed attack has actually occurred, and until the UN has acted.

The prevailing view among international lawyers is that Article 51 would appear to limit the right of self-defence strictly to occasions of direct attack. That must be the lesson to be learnt from the debate in the UN that followed the Suez operation in 1956. The Security Council rejected then the Franco-British contention that the operations in Egypt in 1956 to protect the Suez Canal were justified as acts of self-defence. Nothing has happened since that could give legitimacy in international law to the US intervention in Panama.

The only saving factor in the legality of the British task force that undertook the armed conflict with Argentina over its invasion of the Falkland Islands in 1982 was the assumed British sovereignty in that territory.

At the time of the rival contentions by Britain and Argentina to sovereignty over the Falkland Islands the idea was mooted in some circles that the ideal forum for resolving the deadlock was the Trusteeship Council of the UN. The idea that a member of the UN should administer on trust for the international community a territory for which it bore or assumed responsibility goes back to the days of the League of Nations.

The Panamanian situation could provide the occasion for such a development. The US presence in Panama could be retrospectively licensed by the UN as the trustee of the international community. The UN would stand aloof as the supervisor while the self-determination of the Panamanians was properly decided under American trusteeship.